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*Public  
Administration  
Review*



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THE JOURNAL OF THE AMERICAN SOCIETY  
FOR PUBLIC ADMINISTRATION

# American Society for Public Administration

To Advance the Science, Practice and Art of Public Administration

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# Public Administration Review

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Reorganization from the State Point of View . . . . .	Adlai E. Stevenson	1
Guideposts for Measuring the Efficiency of Governmental Expenditures . . . . .	Alice John Vandermeulen	7
The Department of the Interior and Pacific Island Administration . . . . .	Emil J. Sady	13
Symposium on Budget Theory . . . . .		20
Social Security and Public Employees . . . . .	Jack M. Elkin	32
Apologia Pro Vita Sua . . . . .		39
Reviews of Books and Documents		
Allocation of Financial Resources . . . . .	Weldon Cooper	42
<i>Communal Autonomy, International Union of Local Authorities</i>		
<i>Division of Work between the Central and Local Governments and Rules for Grants-in-Aid to Local Governments in Norway, Sweden, England and Wales, and Holland, by Kjeld Philip</i>		
Grass Roots Democracy—Myth or Reality? . . . . .	R. G. Tugwell and E. C. Banfield	47
<i>TVA and the Grass Roots, A Study in the Sociology of Formal Organization, by Philip Selznick</i>		
Contemporary Topics . . . . .		56
News of the Society . . . . .		64

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## IN THIS NUMBER

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# Reorganization from the State Point of View

By ADLAI E. STEVENSON

*Governor of Illinois*

## I

**Y**OU may wonder why I am here and whether a Governor of a big state does not have enough problems of his own without concerning himself with reorganization of the executive branch of the federal government. I assure you I do have.

But the fact is that the Hoover Commission and its recommendations have at least two very important relationships to state governments. First, the success of the Hoover Commission has inspired many states to create "little Hoover commissions" to study reorganization of state governments. Second, one of the subjects investigated by the Hoover Commission was federal-state relations and the problems in that field, particularly in regard to federal grants-in-aid and allocation of areas of taxation.

In Illinois we have high hopes for our reorganization commission, which was authorized by the most recent session of the Legislature. Illinois did some pioneering in the study of state government organization when the so-called Lowden report was issued more than thirty years ago. That report and the changes that followed in Illinois had nationwide recognition and repetition.

But in the intervening years our state government has grown enormously in its functional responsibilities, its personnel, and cost. This growth has been typical of all the states. Taken together, they now spend almost \$6,000,000,000 annually and employ almost 1,000,000 people. Largely subject to state laws and partly subject to state supervision are also our 150,000 local governments, which spend

some \$7,000,000,000 per year. Federal expenditures, it is true, far exceed these figures. In 1932 tax collections by all the states together were about the same as the total collections by the federal government—but by 1947 the federal government was collecting over six times as much as the states. Nevertheless, if we eliminate federal military and foreign commitments, expenditures by states and local governments together are comparable in amount to federal expenditures. Fiscally, therefore, the states, together with their dependent local governments, share with the federal government a very large responsibility for our governmental system and our national economy.

We are all familiar with the growth of federal and urban functions since the nation's beginning, but we are not all so conscious of the increase in the service and welfare functions of the states. These functions show no promise of abating, whether we decide to emphasize the welfare ideas or the enterprise ideas with which our great political parties are contending, or whether we continue to accept a healthy combination of the two.

The states in 1947 spent over \$1,000,000,000 for education and almost \$500,000,000 for welfare. They are spending more now. We may hesitate to call this the "welfare state," yet we cannot deny that it is the embodiment of the service state. But the services the states perform are by no means limited to welfare. They make vast expenditures for highways and public works, for agriculture and resource conservation, for policing and military functions, for health and medical services.

No longer the constitutional repository of a somewhat evasive type of sovereignty, the American state has become the fulcrum of our political system, occupying a position midway between the federal government, with its re-

NOTE: This paper is a slightly modified version of an address before the National Reorganization Conference sponsored by the Citizens Committee for the Hoover Report at the Shoreham Hotel, Washington, D. C., December 12, 1949.

sponsibility for stabilizing our national economy, and our local governments which deal largely with day-to-day community affairs. The state is now a vast public enterprise in its own right with a crucial aggregate impact on the political economy of the whole country.

How soundly, how efficiently, how economically, is this public enterprise being managed? If those of you connected with or interested in national government think you have problems, listen to this. How would you like to operate with half of your department or cabinet heads elected and not directly responsible to you? How would you like to try to get an efficient department head, who will be responsible for spending many millions a year, for a salary of \$8,000? How would you like to reconcile the need for an effective, trained state personnel with a long entrenched tradition of spoils politics? How would you like to operate with a wordy obsolete constitution which carefully spells out the details of governmental operation and which virtually cannot be amended? What would the federal government do if it were operating under an antiquated tax system?

And perhaps most important, how would the Citizens Committee for the Hoover Report deal with the lethargy about state government? It is not hard to stir up excitement about the Marshall Plan or a nationwide strike or the Atlantic Pact or even the federal budget. But how many persons know what their state governments do for them? How many ask themselves what they would have to pay for the myriad social-economic tasks which the states and their subdivisions perform if they had to go out and buy those services on the market?

For me the question, how soundly, how efficiently, how economically is the public enterprise known as "Illinois" being run, is not merely an academic question of public administration. Every policy problem coming before me is accompanied by its associated problems of administration, organization, and management. As these problems pile up, I find the following kinds of questions recurring.

1. What reduction or consolidation can be made in the numerous departments and commissions which now report directly to me, and what new agencies does the state government need in view of the additional functions that

have been imposed on it since its last major reorganization?

2. Should a particular function of government be undertaken or continued? Should it be allocated to the state or to local governments, or to what particular department within the state?

3. How effective are the so-called staff functions of budgeting and finance, of personnel and planning, which are used by members of my cabinet, by myself, and my staff as devices for the executive management and the administrative control of the state government? How many of these staff procedures have become mere bureaucratic habits which no longer accomplish the results intended, and how can they be made more useful tools of management for a busy executive?

4. How effective and efficient are our mechanics of government, our salary scales, our personnel practices, our classification plans, our administrative procedures, our space practices in state government as compared with those of private business and especially as compared with those of other states?

## II

I HAVE mentioned the tremendous increase in recent years in the expenditures of states and local governments. With federal spending expanded to a far greater degree, we have seen an intensification of that perennial problem of federal-state relations: competition for tax revenues. The federal government now collects nearly 75 per cent of the total taxes collected by all governmental units. The federal government has retreated very little from its widespread use of certain types of excise and sales taxes which are so vital to the states. And local governments can no longer support their huge budgets with a general property tax alone. In California more than 100 cities have enacted sales tax ordinances, on top of the state sales tax. Many political subdivisions in Ohio and Pennsylvania are imposing income taxes or license taxes that are in the nature of income taxes. I understand that several Pennsylvania school districts have enacted income tax ordinances.

One of the recommendations of the Hoover Commission was that our tax systems—national, state, and local—be revised, and that in

this revision every effort be made to leave to localities and states adequate resources from which to raise revenue to meet the responsibilities of local and state governments. The commission advocated the creation of a continuing agency on federal-state relations to accomplish the commission's recommendations in that field. This seems to me imperative if we are going to divide up the tax field intelligently and rationally, and I hope the commission on federal-state relations, contemplated by the Hoover Commission *Report* and considered by the Congress in this past session, comes into being.

One of the further problems which deserves careful study by such a commission is federal grants-in-aid. Approximately 18 per cent of all of the monies expended by state governments come from federally collected taxes. Within the last five years federal grants to states have more than doubled.

The Hoover Commission recommended that federal grants-in-aid which are given to states be budgeted and administered on the state level as are other state funds. We are already following that practice in Illinois for \$215,000,000 in federal funds which we expect to receive during the current biennium. We think it is more realistic to treat this money from federal sources like money the state itself raises from taxes and we are recognizing this in our bookkeeping.

There are about twenty-five federal aid programs—twelve in the field of public health alone. The federal aid statutes require that granted funds be earmarked for specific purposes. In order to get the federal funds it is usually necessary to appropriate general funds of the state and this, of course, complicates the state's budgetary problems. In Illinois, for example, we have available a surplus of federal money under the heart disease grant-in-aid program because we have not been able to organize a program specifically relating to heart disease rapidly enough to make good use of the money. On the other hand, we are short of money in the general health account—another one of eight categories of federal public health money which we receive. Naturally, strictly from the state's standpoint, we would prefer to receive our federal health money in one general fund rather than in numerous

earmarked accounts, as is the practice now. However, we cannot overlook the fact that most federal aid statutes have been enacted as a result of hard fought campaigns by sponsors of specific programs who wanted to insure that their particular programs would be stimulated and expanded and we cannot expect to shift to the states this important policy decision as to the use to be made of the federal aid funds. This is a case where we cannot have our cake and eat it, too.

Earmarking carries with it, in many instances, a good deal of federal control over the way we run our state agencies that spend the federal money. This, of course, is at the root of the recurring complaints about undue federal interference. There are those who feel that the rapid extension of federal grants-in-aid is threatening the integrity of states and the federal system. There are others who, while inveighing against extending federal influence with the federal dollar, are very eager for the dollars. Some of us see less threat to states from federal encroachment than others and detect less federal domination than others. All of us have profited from the federal aid programs, but we all know that there must be some limits to extension of federal aid. Those limits may well be determined, it seems to me, by the taxpayers' pocketbooks more effectively than by frightened proclamations of states' rights.

I have previously suggested some factors which it seems to me must be considered in any evaluation of intergovernmental relations. (1) There are many national problems which can be met only on a national basis; (2) even where the states administer programs which are national in scope, to provide equal opportunity for all there must be a distribution of tax revenue so that poor states as well as the rich can perform adequately; (3) to secure the funds for national programs a central collection must be made; and (4) efficient administration is not inevitably tied up with geographical closeness to the people.

With the industrialization of this country, with the growing complexity of modern life and the stresses of our machine age, a host of new problems have been created. Old problems have taken on new meaning and importance with the mobility of our industry,



with the freedom of movement which our federal system has established for individuals and their goods as well.

We must face the fact that in many instances the states either would not or could not begin to cope with these, vast industrial-age problems. We must admit this fact and recognize that the people, not particularly concerned with the philosophical problem of states' rights vs. a national government, have turned to that source which could give them help. We must admit that in some instances the federal government has acted as a lever to get us going. We must further admit that if we agree that all our citizens are entitled to an equal opportunity, we must then recognize that only through assistance by the entire country can some areas provide these essential minimums. And further, because of the mobility of wealth and industry, the monies which must be raised to support these programs, most particularly the individual and corporation income taxes, must be levied on a national basis.

The Hoover Commission recommended that the grants-in-aid program be clarified and systematized. It is interesting that two distinguished members of the Hoover Commission expressed the opinion that federal-state problems such as grants-in-aid were not within the jurisdiction of the commission. It seems clear that these problems cannot be sufficiently dealt with by our various state "little Hoover commissions." The proposed permanent commission on federal-state relations would appear therefore to be the answer.

There are still other aspects of the Hoover *Report* which are of urgent concern to the states. But I think the few specific instances I have discussed will make it clear that we in the state governments are vitally interested in the further implementation of the proposals for reorganization of the executive branch of the federal government.

### III

Now with respect to our own internal reorganization programs, one of my major concerns is salesmanship—how to awaken public interest and support. I am concerned, for example, with the overemphasis on actual dollar economies which can be made and the underemphasis on the less tangible but more prob-

able increases in efficiency of operation which will yield only future savings. We recognize that it is easy simply to see reorganization as an economy measure, to say "this will save you \$1,000,000 in 1950 and \$1,100,000 in 1951." We are concerned that if taxes are not reduced or expenditures actually cut, many of the general public will feel that a given reorganization has not been a success.

Our job in the states is of first importance in the developing interest in government and efficiency in government. We are faced with the gigantic task not only of acquainting our people with the task of state government, but of conveying to them the idea that the services which they have demanded and the assistance they want cannot be obtained for nothing. We must acquaint people with the facts—three to four billions of dollars a year spent for education, the tremendous sums spent for welfare, highways and public works, agricultural assistance, conservation, policing and national guard functions, and health and medical services. We must also convey the fact that the states must be ever ready to step in with a public works program or to handle many other social and economic functions which may at any time be thrust upon us.

But how does one do all this? How does one convey the fact that with understanding, participation, and interest, efficiency in government becomes so much easier to attain? How does one point out the fact that organizations cannot on the same day condemn high taxes and ask for more services? How does one create interest in the election of all-important state legislators? These are today's problems in "states' rights."

I am not citing to you the plight of the states simply to get your sympathy or to divert your eye from your primary goal—the national government. Nor do we Governors think our job is insurmountable. Rather I raise these questions because of the unique role of the states in our federal system, and because of the close interrelationship between these questions and national problems.

On all sides today we are concerned about the problem of bigness in government. Most thinking persons of both political parties recognize that there are limits beyond which government spending cannot be pushed. The co-

operation from the leaders of both parties in the development of the Hoover Commission report—this meeting here today—are eloquent evidence of this grave concern. While disagreeing about the nature of specific programs, here and there, we finally are uniting—under the leadership of this committee—in our determination to see that the money which is spent is well spent. But I hope no one will forget that an equally important answer to the problem of bigness in government is our larger federal system. With forty-eight active, efficient state centers there is little or no danger of too great a consolidation of governmental authority.

Certainly we must recognize that there are fields in which the states can and should receive assistance from the national government. Certainly we must understand that the financial resources of the states are not unlimited. Surely in this industrial age it is apparent that many of the problems of health, housing, education, transportation, and employment inexorably flow over state boundaries. The more we expand our economy, the more our problems will become national in their scope. The educational and medical advantages given to the Negro youth in the South, for example, vitally affect us in Illinois. Many of those youths will come to our state, and we will have to bear the burden to the extent that they are badly educated or in poor health. No amount of violent pleading for "states' rights" can possibly stop the ever-increasing scope of these national problems.

But on the other hand, those who say that the state is out of date, or becoming so, have forgotten the facts of life about our democratic America. Who organizes and operates our public schools? The states. Who protects the persons and property of our people? In the main, the states. Nor do we want a national code governing persons and property, except in interstate affairs which no state can cover alone.

Within their constitutional field of action, the commonwealths for a century and a half have been free to work out laws and administrative arrangements adapted to the rich variety of interests and areas in the country. If a state hits upon a good idea, it can quickly be adopted elsewhere, modified, or tried and found wanting. If a state wants to be dry, so

be it; or wet, even so. One state even taxes the illegal sale of liquor. A state can have a community property law or not, as it sees fit. It can experiment with various forms of local government in cities and schools as it will, or deal with agriculture or business or labor within wide limits. The state can pass blue sky laws, regulate public utilities, set up standards for state banks and insurance systems, and experiment with welfare plans. It is well to note that Wisconsin started the unemployment payments later adopted in revised form for the entire country.

This power to pass upon and decide local affairs is one of the very greatest assets of our free society, making possible democratic participation at the grass roots of our human relations. If our 150,000,000 people did not have states they would create them, rather than centralize all power at one point where congestion of authority would soon defeat the purposes and possibilities of democratic development and progress.

The political genius of the Founding Fathers recognized the values of home rule on the one hand and national unity on the other, and in our federal system built even better than they knew.

I suggest these thoughts because there are now some among us who are saying that the states are dead or dying, and that the national government inexorably is eating up the last vestiges of the federal system. Many of these persons have failed to consider what the states do, and have failed to realize that failure to perform efficiently on the part of the states has perhaps been the greatest cause of danger to the states.

Too often people fail to remember that "states' rights" must be accompanied by states' responsibilities. Many of the problems of "states' rights" are caused by "states' wrongs." The greatness of a state does not depend on its size, its wealth, its population, but upon the manner in which it helps to make good the ends of government. We Governors have no quarrel with the national government, but are only in a friendly competition in promoting the pursuit of human happiness, in increasing our production, and in enriching the values of human life for all our people. And this is a joint task of all levels of government.



## IV

WHAT then must we do? By all means continue to work to improve the operations of the national government. Focus the spotlight of public attention in a nonpartisan way on the problems of bigness in government. Bring people to the realization that government is their responsibility, that rights entail obligations as well. And we must keep the spotlight focused; this is not a one-year, two-year, or five-year job. The problem of bigness in government is here to stay. We can be successful only to the degree that we are persistent.

But also please do not ever forget the states. Help us at home to improve our cumbersome governmental machinery. See that in carrying out essential national policies our Congress utilizes to the greatest extent possible these basic, organic, live state units to bring as close

to home as possible the actual operations of the national programs.

What then do I suggest? (1) We must recognize the need for cooperation rather than hostility or capitulation between levels of government. (2) We must root out unnecessary duplications in federal, state, and local services, assigning each to the government most fitted to administer it in the public interest.

(3) We should encourage further federal and state studies to reduce the number of governmental units. And while attacking federal bureaucracy we should not be politically too timid to attack inefficient, archaic, useless local units and structures in our own back yards.

(4) We should expand sound interstate agreements wherever possible. (5) We should press for wise and efficient administration of the federal grants which are made for national programs, with only those controls which the public interest requires.

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In reviewing the organization of the Executive Branch, the Commission has made use of eight standards which have stood the test of experience. These standards are:

1. *The chief executive should be equipped with authority adequate to match his responsibility, and with sufficient staff to aid him in doing those things which he must do.*
2. *The subordinates of the chief executive should be accountable to him and, through him, to the legislature and to the people.*
3. *The responsibilities of the subordinates of the chief executive should be properly located and clearly fixed.*
4. *The various organization units should be grouped by major purpose so as to minimize conflict, duplication, and overlapping.*
5. *Each activity of the government should be administered through the form of organization best suited to achieve its stated objectives.*
6. *Good organization should include adequate provision for planning, coordination and control.*
7. *Special provision should be made for continuing attention to efficiency and economy.*
8. *The executive Branch as a whole should be so organized as to manage with maximum effectiveness its relations with the other branches of the Insular Government and with the Federal Government.—Report on the Reorganization of the Executive Branch of the Government of Puerto Rico Presented to the Governor by the Commission for Reorganization (San Juan, Puerto Rico, October 17, 1949). pp. 3-4.*

# Guideposts for Measuring the Efficiency of Governmental Expenditures

By ALICE JOHN VANDERMEULEN

*Assistant Professor of Economics  
Claremont Men's College*

THE expenditures of a governmental unit, like those of any large organization providing a multitude of services to thousands of persons, cannot be judged as a whole. The citizen's interest in efficiency must be satisfied by separate investigations of the various parts of the organization. He can then summarize these results and form conclusions about the over-all efficiency of the governmental unit.

The purposes of this paper are (1) to suggest the best procedure for breaking down the activities of a government into constituent parts for analysis, (2) to indicate the general characteristics of various yardsticks of efficiency, and (3) to propose two additional facets of efficiency which are not included in the usual investigation.<sup>1</sup>

The most fruitful way to study a governmental unit is to divide its activities into segments by function or service provided. One such service might be "fire protection." Usually other departments in addition to the fire department contribute to this function—perhaps the water department, the police department, and the building department. The service, rather than the department, should be the focus of investigation. The division of activities among departments is often the result of historical development and is unimportant if the departments are well integrated. Analysis by function will uncover lack of integration—the hiatuses and duplications which embitter taxpayers.

Fundamentally, criteria of efficiency fall into three categories, according to the nature of the data needed for applying them. They may be based on (1) costs, (2) methods, or

(3) results. Each approach has advantages and shortcomings. A discussion of each follows in the next three sections.

## *The Basic Measure of Efficiency*

THE basic measure of efficiency in any form of production is cost-per-unit-produced. Since efficiency is relative rather than absolute, cost-per-unit becomes meaningful when it is compared with the cost of the same service at some other time or place. These comparisons are justified only when the services provided are very nearly identical. Valid examples are difficult to find. Offhand, one might think that a kilowatt-hour of electricity is a standardized product under all circumstances. This is not the case. The cost per kilowatt-hour may be higher in one area than another because an auxiliary generator is maintained to reduce the frequency of power failures. Therefore, electrical service has been different in quality. The closer one looks, the harder it is to find a standardized service. Gallons of water vary in purity, cubic feet of gas differ in heat content, and dollars of taxes vary in difficulty of collection.

If the investigator satisfies himself that the quality of service is substantially the same, he must still question whether the method of

<sup>1</sup>The most comprehensive treatment of criteria of efficiency is Clarence E. Ridley and Herbert A. Simon, *Measuring Municipal Activities* (The International City Managers' Association, 1943). The first two chapters discuss measurement techniques and later chapters indicate criteria for particular services. This booklet has served as such a bible for the author that it is difficult to acknowledge the ideas absorbed from it. Criteria for particular services which have appeared in the last six years are often listed in the bibliographical sections of the *Municipal Yearbook*.

computing costs is identical. Governments are notoriously lax about the allocation of overhead cost. Interest on debt for capital construction is frequently omitted. Often no depreciation is charged, and capital outlay is included as a lump sum in the year in which it is made. The allocation of overhead cost is further obscured when one department provides more than one service—for example, when a public works department not only builds and cleans streets but also maintains parks and other recreation areas. Few multifunction departments trouble to allocate direct cost accurately, much less overhead charges. When they are forced to make some kind of division of their expenses in reports, they are likely to resort to hindsight guesswork. Even among skilled accountants, there is no single generally accepted method for distributing overhead. A good argument can be made for distributing overhead either according to labor hours or according to labor expense. Different figures will be obtained whenever all employees are not paid the same wages.

Private enterprises are better able to use cost-per-unit as a measure of efficiency than governmental enterprises. There is more assurance in the business world that products are identical and that standard accounting methods have been used. In addition, the optimum standard for private producers is clearly set by the minimum-cost producer, regardless of size of plant and geographical location. Unfortunately, there is no single minimum cost for a governmental service. Private entrepreneurs are free, at least in the long run, to make decisions about the size of plant which will be most efficient. This opportunity is not open to governmental agencies, except occasionally by contracting with other jurisdictions for specific services. However, governmental production is subject to the same economies (and diseconomies) of scale as private production. Therefore, in comparing cost-per-governmental-service, one must make sure that "plants" of the same capacity are contrasted. The folly of overlooking the volume produced can often be illustrated by computing the cost of elections per voter over a series of years. The cost per voter is likely to be higher in odd years when the election is chiefly of local interest and the vote is light, even though elections are

conducted with utmost economy in every year.

Since governments are not free to operate their "plants" in the most advantageous locations, allowance must also be made for differences in the cost of materials and labor among geographical areas. One corporation may be more efficient than another because it produces where labor is cheap or the climate is favorable, but governmental departments cannot be held accountable for higher costs caused by locale.

Similarly, comparisons of unit costs for one governmental department over a series of years must be adjusted for price changes. Adjustment is difficult. The movement of prices of goods and services purchased by governments usually lags behind the movement of the general price level. The lag is caused partly by the custom of governments to purchase under long-term contract and partly by the inertia of the wages and salaries of public employees. Labor expense is probably more sluggish than the cost of materials. The lag behind the general price level is likely to be longer in the expenditures of small governmental units than in federal expenditures. The length of the lag may be different in the upswing and downswing of a cycle. Therefore any attempt to adjust governmental costs by the use of a general price index must be made with caution.

With all of these qualifications, is cost-per-unit ever useful in judging the efficiency of a governmental service? There are two circumstances under which cost-per-unit can be a valuable tool. First, cost-per-unit is helpful in deciding which of two distinctly different methods of operation is preferable. For example, a small town may choose to contract with the county for building inspection instead of maintaining its own building department, because the long-run cost per permit and per inspection will be lower. The contract may be more expensive in years of high building activity, but cheaper in years where reinspection is the main chore. Second, cost-per-unit is useful in comparing the operation of a governmental department over a short period of time where a slight change has been made in the method of operation. As a matter of policy, governmental departments should be required whenever possible to calculate cost-per-unit of

service as an internal check. This computation will often be the means of detecting obsolete methods. Cost-per-unit may reveal that some services could be provided more economically by contract with other levels of government or with private business, or that functions which are increasing in importance deserve a modernization in methods.

*Measuring Efficiency Indirectly by  
Evaluating Methods Employed*

BECAUSE judgments about efficiency based on cost-per-unit are filled with pitfalls, and because the unit of production is not always definable (as, for instance, in the work of a planning commission), two types of indirect measures of efficiency have been devised.

One type of measure evaluates the methods or practices employed by a governmental department. The implied assumption is that if the "best" methods are used, the work is bound to be efficient. Naturally, "best" practice is subject to change with technical progress. In certain fields, such as education, recommended methods seem to contain an element of fashion; the techniques which are considered best at one time go out of style and then reappear in a slightly different version years later. The "best" methods are related to the size of the operating unit. Techniques suited to a small town are not usually the same preferred for a metropolis. Commonly, there is a minimum population size below which it is impossible to use accepted procedure. For example, it may be impractical to maintain a general reference library to serve a town with a population of only one thousand.

"Best" practice is most readily available for governmental departments which are staffed by professionals with occupational training. These employees often support a professional organization which publishes reports of technical research. Examples are the American Library Association, the American Public Health Association, and the National Recreation Association. A great deal of useful information on procedures for performing particular governmental functions has come from that densely populated address, 1513 East 60th Street, Chicago—the home of the American Public Works Association, the International City Managers' Association, the Public Ad-

ministration Service, the Municipal Finance Officers Association, the Civil Service Assembly, the American Public Welfare Association, and others.

In this literature, it is almost always possible to find a discussion of techniques for performing any specialized local function. The layman will have difficulty in turning these textbook treatments into tests for the services provided by his own government because he will not know how to weight the various deviations from "best" practice. For instance, is the garbage collection in one city which fails to use covered trucks worse than that in another which collects only once every fortnight? For some services evaluation schedules have been devised which offer the judgment of an expert in weighting the various factors.<sup>2</sup> The chief hazards in applying these schedules are: (1) they may call for subjective ratings which cannot be made without years of experience and training, (2) they may require data which are not commonly collected, and (3) they may not be adjustable for geographical area, size of governmental unit, and characteristics of population. An interesting property of some of these schedules is that the layman is not always forced to investigate methods; sometimes symptoms of methods are indicative to the practiced eye. The state of cleanliness of school washrooms at the end of a school day may be used as a measure of the entire janitorial system. This judgment may seem hasty to the uninitiated, but several such indications are likely to provide a short cut to the correct conclusion.

There are some governmental activities for which no body of "best" practice has been developed. These are likely to be one-of-a-kind activities (such as coinage, regulation of business and industry, protection against foreign enemies, and the postal service) or general activities (such as the passage of laws, the administration of justice, and planning). In these cases, the investigator must fall back on the general principles which apply to any productive endeavor: good budgeting and accounting

<sup>2</sup> These evaluation schedules often score an activity by a combination of methods and results. One sixteenth of the total score in the National Recreation Association's *Schedule for the Appraisal of Community Recreation* depends on "participation and use." (National Recreation Association, 1940.)

practices, modern personnel techniques, sound organizational patterns, and so on. Because it is difficult to weight these principles, an attempt to evaluate a service by general methods is often doomed to failure. If the reader will start to evaluate the "general government" in his own locality, he will appreciate the problems faced by the Hoover Commission.

The use of good methods is not sufficient to guarantee efficiency, but it is a necessary first step. Among all the approaches to measuring governmental efficiency, an investigation of methods is probably safest in the hands of the layman. All other approaches involve computations which may be unreliable, no matter how carefully they are adjusted to fit the particular case. A study of methods also has the advantage of being a frontal attack on the causes of inefficiency. If evidences of inefficiency are discovered in other ways (by the use of unit costs or records of attainment), it is still necessary to examine methods for the source of the inefficiency.

#### *Measuring Efficiency Indirectly by Evaluating Results*

THE third approach to measuring efficiency is the use of results or records of attainment. Evidence of results should not be confused with statements of effort, such as man-hours expended in street cleaning. Results must be stated in terms of the goal of the effort, in this case, a measure of the cleanliness of the streets. Results may be expressed in a positive form—percentage of pre-school children found to be immune to diphtheria or percentage of crimes solved. They may also be expressed in negative form—the diphtheria death rate of pre-school children or crime rates. Sometimes results can be expressed only in one way: there is no positive index for "number of crimes prevented" and no negative figure for "property which escaped assessment".

The rationale behind the use of results to measure efficiency is that the work must have been good if the results are good. Unfortunately, this approach takes no account of the extent of the task faced by a department. A wealthy residential community is likely to have low crime and disease rates and a small fire loss per thousand dollars of assessed valu-

ation even though municipal services are abysmal. Therefore, the appropriate use of results to measure efficiency is often confined to the same two occasions as the use of cost-per-unit: comparisons between distinctly different methods of operation and comparisons of attainment in one activity over a short period of time.

Data on results are particularly vulnerable to two kinds of error, (1) sampling error and (2) error arising from the method of collecting statistics. The smaller the governmental unit, the more unreliable its statistics become. A mild epidemic or the burning of a large building can distort the health or fire department statistics for the entire year. Furthermore, the idiosyncrasies of local officials in recording statistics may invalidate comparisons with other localities. One community may appear to be virtually crimeless because the police pride themselves on not entering local citizens on the blotter, while another community may seem to be a hotbed of crime because the police chief is overzealous about uniform crime reporting.

The greatest drawback to the use of results for measuring efficiency is that the concept of efficiency (the ratio of output to input) tends to be confused with the concept of adequacy (sufficient input to produce some predetermined standard of output). Obviously, efficiency can exist without adequacy and vice versa. The investigator must be constantly on guard against blaming inefficiency for "unsatisfactory" results when appropriations are not large enough to produce "satisfactory" services. This mistake is unlikely when the investigator must produce the cause of the inefficiency, but many evaluation schedules contain implied standards of adequacy. An insidious form of this error is found in evaluation schedules which give little credit for an assumed minimum of service, but score heavily for added features which the test-maker wishes to encourage.<sup>3</sup> The layman will be unaware that

<sup>3</sup> *Appraisal Form for Local Health Work* (American Public Health Association, 1938) follows this practice. Wilson G. Smillie says of it: "Greater numerical value is given weak elements to encourage health departments to initiate new work. For example, the all important factors of sanitation . . . have disproportionately small weight in the final score because they are already accomplished in most cities." *Public Health*



the test contains hidden preconceptions of adequacy.

*Efficiency in Relation to the Goal of the Service*

**E**VEN if implied standards of adequacy are not directly involved, the observer may err in assumptions about the particular type of service which is desired by a community. For instance, residential neighborhoods may build and maintain macadam roads which are more expensive in the long run than paved streets. This appears to be inefficiency in the function of providing a passageway for traffic. Yet the citizens may wish to preserve a quaint, village-like atmosphere. The service desired is not the provision of a thoroughfare, but the maintenance of a passable, picturesque byway. If any deviation is made from what the community wants, to what it "ought to want," the concept of efficiency is blurred by standards of adequacy.

Although it is necessary to hew to some notion of the desire of the majority of voters as the goal, it is not necessary to accept the budget, with its division into various parts, as the correct portrayal of majority wishes. Budgets are pieced together by administrators. The electorate usually has almost no control over individual items (even New England town meetings are adopting the "limited" form) nor does it have the knowledge to exercise such control. This means that studies of efficiency should ask more than the one question, "So-and-so many dollars have been appropriated for the Such-and-such Department. How can they best be spent?" Two other questions should be asked:

1. "Is it possible by a redistribution of funds among the various items in the budget to increase the total service provided?" This increase might come about in two ways. First, after a point, the by-product of one department may be larger than the direct product of another, as when a dollar spent for recreation reduces juvenile crime more than a dollar spent for police. Second, the larger goals of society, to which specific activities contribute, may be better served by changing the relative

importance of the specific activities. The general goal—making the community a pleasant place to live—might be furthered by, say, spending more for planning and less for the maintenance of short-lived projects. Short-sighted expenditure is not efficient.

2. "Is it possible to provide more service by increasing the budget without increasing the burden on the private economy?" A simple illustration of this kind of opportunity would be presented in a community where taxes for fire protection are \$1.00 per thousand dollars assessed valuation, and fire losses (on which insurance rates are based) are \$4.00 per thousand dollars valuation. If, by spending more for fire protection, both figures could be brought to \$2.00 per thousand, there would be a gain in efficiency.

The suggestion that larger government spending may increase efficiency will make the taxpayer shudder. He will envision mounting deficits, mushrooming bureaucracy, and multifold leaf-raking. He associates increased efficiency with reductions in spending. However, when the burden on the private economy is considered (taxes plus the cost of compliance minus the value of governmental services), the taxpayer may find that opposition to certain increased expenditures is pennywise.

*Summary*

**I**N SUMMARY, the first step in an investigation of governmental efficiency is the partition of public activities into the various functions performed. Next, costs-per-unit-of-service, methods, and achievements of the function under investigation can be compared with standards set by experts or previously attained by the same or other similar governmental units. But even if these comparisons prove favorable, they must not be taken as conclusive evidence of efficiency of expenditure. Fundamentally, society supports collective activity because it wishes the government to provide a desired total environment—not because it wishes specific tasks performed. Therefore, efficient expenditure of public funds implies not only the provident use of each item in the budget, but also the astute allocation of total revenue among budgetary items so that the maximum contribution to the desired environment may be made.

When all of these tests are passed, there is a final hurdle: truly efficient public expenditure should make the maximum *net* contribution to the productivity of the private economy. During the past century there has been a persistent upward trend in public expenditures designed to increase the productivity of

the citizenry; at the same time, greater attention has been paid to minimizing the drag on productivity caused by taxation. This suggests that we are quite correctly groping toward a margin where the last dollar in the public budget gives rise to at least a dollar's worth of private well-being.

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In governments, as in households, he who holds the purse holds the power. The Treasury is the natural point of control to be occupied by any statesman who aims at organization or reform, and conversely no organization or reform is likely to succeed that does not begin with and is not guided by the Treasury. The highest type of practical statesmanship must always take this direction. Washington and Jefferson doubtless stand pre-eminent as the representatives of what is best in our national character or its aspirations, but Washington depended mainly upon Hamilton, and without Gallatin Mr. Jefferson would have been helpless. The mere financial duties of the Treasury, serious as they are, were the least of the burdens these men had to carry; their keenest anxieties were not connected most nearly with their own department, but resulted from that effort to control the whole machinery and policy of government which is necessarily forced upon the holder of the purse. Possibly it may be said with truth that a majority of financial ministers have not so understood their duties, but, on the other hand, the ministers who composed this majority have hardly left great reputations behind them. Perhaps, too, the very magnitude and over-shadowing influence of the Treasury have tended to rouse a certain jealousy in the minds of successive Presidents, and have worked to dwarf an authority legitimate in itself, but certainly dangerous to the Executive head. Be this as it may, there are, to the present time, in all American history only two examples of practical statesmanship which can serve as perfect models, not perhaps in all respects for imitation, but for study, to persons who wish to understand what practical statesmanship has been under an American system. Public men in considerable numbers and of high merit have run their careers in national politics, but only two have had at once the breadth of mind to grapple with the machine of government as a whole, and the authority necessary to make it work efficiently for a given object; the practical knowledge of affairs and of politics that enabled them to foresee every movement; the long apprenticeship which had allowed them to educate and discipline their parties; and finally, the good fortune to enjoy power when government was still plastic and capable of receiving a new impulse. The conditions of the highest practical statesmanship require that its models should be financiers; the conditions of our history have hitherto limited their appearance and activity to its earlier days.—Henry Adams, *The Life of Albert Gallatin* (J. B. Lippincott, 1880), pp. 267-68.



# The Department of the Interior and Pacific Island Administration

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THE imminent transfer of Guam, American Samoa, and the Trust Territory of the Pacific Islands from naval to civilian government raises many interesting administrative problems. This article describes generally the policy of the Department of the Interior in territories at present under its cognizance and outlines in somewhat greater detail the authority and responsibility of the department for the governments in these territories soon to be transferred to it.

Guam and American Samoa are possessions of the United States. Guam was acquired through cession from Spain in 1898. The island has a population of about 75,000, of whom 27,000 are Guamanians; the remainder consists principally of United States military and civil service personnel and their dependents and Filipino construction employees working in military installations. American Samoa was ceded to the United States under the tripartite treaty of 1899 between the United States, Great Britain, and Germany. It has a population of about 19,000, almost all of whom are Samoans or part-Samoans. Guam and American Samoa have been administered by the Navy Department pursuant to Executive orders which were issued shortly after the United States assumed jurisdiction over the islands.

The Trust Territory of the Pacific Islands comprises the former Japanese mandated islands (the Marianas, except Guam, the Marshalls, and the Carolines). The United States administers the Territory pursuant to a trusteeship agreement concluded between the United States and the Security Council of the United Nations July 18, 1947. On the

same day an Executive order was issued vesting the Navy Department, on an interim basis, with administrative responsibility for the Territory. The Trust Territory's population of 53,500 inhabits islands and atolls spread over 3,000,000 square miles of ocean.

On October 20, 1945, President Truman created a committee composed of the Secretaries of State, War, Navy, and Interior to make recommendations to him regarding the future administration of the Pacific Islands. On June 18, 1947, this committee recommended that administrative responsibility for Guam, American Samoa, and the Trust Territory be transferred to a civilian agency at the earliest practicable date and that the Congress be urged to adopt an organic act establishing the framework of government and the status of the inhabitants of these areas. On May 14, 1949, the President directed the Secretaries of the Interior and the Navy to submit to him by September 1, 1949, plans for transferring from Navy to Interior responsibility for Guam within a year and for American Samoa and the Trust Territory within two or three years. These plans were submitted to the President in the form of memoranda of understanding between the two departments and provide the basis for current measures being taken to carry out this transfer of responsibility.

On September 7, 1949, the President issued an Executive order transferring responsibility for the administration of Guam from the Navy Department to the Department of the Interior effective July 1, 1950. The President has also approved the plans for a similar transfer of responsibility in American Samoa and

the Trust Territory on July 1, 1951. Pursuant to these plans, a civilian governor of American Samoa and a civilian high commissioner for the Trust Territory will assume office on July 1, 1950; until the transfer date they will be responsible to the Secretary of the Navy. Other provisions of these plans are similar to those for the Guam transfer<sup>1</sup> except that the Navy Department rather than the Interior Department will request funds to replace naval personnel with civilian. It is also stated that the Trust Territory transfer date was set on the assumption that regular sea and air transportation other than naval would be available by that date to satisfy commercial and governmental requirements in the Territory. The Navy and Interior Departments have agreed to submit to the President plans for such transportation by May 1, 1950.

#### *Pre-Transfer Role of Interior*

**T**he functions of the Interior Department prior to the transfer are markedly different from those it will have after the transfer. Until the transfer date, Interior's authority and responsibility for the island governments will consist chiefly of (a) recommending persons for appointment by the President as civilian heads of each of the three island governments, (b) assisting the civilian governors in the recruitment of qualified civilian personnel and in the preparation and presentation of federal budget estimates, and (c) expressing views on policy questions referred to the Department by the Navy for comment. Close working relations are maintained between the two departments. Except on personnel and post-transfer budgetary matters, however, authority and responsibility for decisions relating to the island governments until the transfer dates are vested in the Navy Department. While the Navy may give weight to Interior's suggestions, it is not bound to accept them. The Navy must, of course, have Interior's approval before it can commit the Interior Department with respect to island government policies after the transfer dates.

The Department of the Interior also has

the task of planning for assumption of full responsibility and authority for each of the areas on the transfer dates. This planning relates primarily to such administrative matters as determining personnel and budgetary requirements; determining how certain island government activities now carried out by Naval units, such as purchasing and accounting, will be handled under civilian administration; arranging to have other agencies, such as the Weather Bureau and the Post Office, extend their services as necessary to the area; and making preparations in Washington to ensure the continuation of present public services after the transfer. Policies and programs will also be examined, at least to the extent that they bear directly on transfer problems. The peoples concerned should participate, however, in the determination of policies, and there are therefore limitations, apart from financial ones, upon what Interior can now properly do on its own initiative concerning far-reaching policy questions.

Examples of Interior's present activities with respect to Guam illustrate the department's pre-transfer role. The President recently appointed the first civilian Governor of Guam, Carlton Skinner. He was nominated for this position by the Secretary of the Navy on recommendation of the Secretary of the Interior. In the past year, Interior has been developing a roster of candidates for employment in the Pacific area which now includes over 400 active applications. The department hopes to develop means of determining their adaptability to life in the islands and with islanders prior to selection. Arrangements are being made for the recruitment of qualified European physicians in displaced persons camps who will work under the supervision of American physicians. The Governor of Guam notifies Interior of positions held by naval personnel which he wants filled by civilians and which Guamanians are not yet qualified to fill. Interior sends him the applications of qualified persons, the Governor makes the selections with the approval of Interior, and the Navy, with Interior's assistance, processes the necessary papers and arranges transportation. In order to prepare budgets for health costs after the transfer, including the cost of a new civilian hospital, Interior is studying

<sup>1</sup> See *Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives on the Supplemental Appropriation Bill for 1950*, 81st Cong., 1st sess., (August 11, 1949), p. 474.

problems of post-transfer relationships between the naval and civilian hospitals on Guam. It is also studying civil-military relations in providing such services as port facilities and utilities. It is working to perfect the organic legislation for Guam and to assist the Congress in its consideration of this legislation. It is seeking also to determine the applicability to Guam of the many federal laws under which federal aid is granted to states and territories.

#### *Post-Transfer Role of Interior*

INTERIOR's relationships with the island territories after the transfer occurs will vary according to the readiness and ability of the peoples concerned to exercise legislative powers on local (i.e., non-federal) matters and to finance and execute, without extraordinary federal assistance, their own governmental and economic development programs. These factors, combined with severe budget limitations, have been decisive in defining Interior's relationship with territories now under its cognizance—a relationship that is ever changing under the joint departmental and territorial drive toward the fullest possible measure of self-government for the territories. This drive is reflected in the joint efforts of the Interior Department and the respective territorial governments to obtain statehood for Alaska and Hawaii; in the recent achievement by the Puerto Ricans of authority to elect their own Governor; in persistent efforts to establish the right of Virgin Islanders to be represented by a resident commissioner in the United States Congress; and in the extension of federal grants-in-aid programs and services of federal agencies to the territories.

Interior neither "administers" the territories nor does it impose its policies on the territorial governments. The governors of the territories look to their territorial legislatures for policy determination on purely local matters. Interior's influence in such affairs is normally limited to its (a) nomination of candidates for territorial positions which by law are filled by presidential appointment, (b) recommendations to the President that he approve or disapprove a local measure when the governor's veto has been overridden by the territorial legislature (except in Hawaii and Alaska,

where the legislature's action is final), and (c) participation in policy and budgetary decisions involving federal funds, such as the preparation of requests for congressional appropriations to meet deficits in the municipal treasuries in the Virgin Islands and of budgets for the Virgin Islands Corporation, which Congress established and to which it has granted federal funds to promote economic development in the Islands. The Interior Department also has direct management responsibilities for the Alaska Road Commission, the Alaska Railroad, and the Puerto Rico Reconstruction Administration, which are financed entirely by federal funds.

Otherwise, the department's role is to provide liaison, service, and support for the territories in Washington, tasks made necessary in the main by the absence of full voting representation of the territories in the Congress. The department advises the President on territorial matters requiring his attention; maintains interdepartmental liaison where action by other federal agencies is needed by the territories; initiates and supports federal legislation required by the territories; and serves as a center of information for private citizens and groups interested in the territories. These activities are carried out by Interior's Division of Territories and Island Possessions in cooperation with the territorial governments and with the nonvoting representatives from Hawaii, Alaska, and Puerto Rico in the United States Congress. Interior also participates with the State Department in the formulation of international policies relating to the territories.

The staff of the Division of Territories is insufficient to provide technical advice to the territories on economic and social matters. This has been a great handicap in those cases where studies are needed as a basis for federal legislation, e.g., to ensure uninterrupted commerce with the mainland, or for federal financing of long-range economic development programs. While the division needs a modest staff of experts in economic, social, and management fields to ensure sound decisions within its proper sphere of activity, it is alert to the danger that overstaffing in Washington might result in excessive federal intervention in purely local matters and perhaps increase the territories' dependence on the federal govern-

ment. It is obvious that most technical policy and program planning should be carried out at the territorial level in close cooperation with the legislature or peoples concerned and as a guide to territorial administration.

This, in general terms, describes Interior's role with respect to territories now under its jurisdiction. Interior's functions with respect to Guam, American Samoa, and the Trust Territory after these areas are transferred to Interior's jurisdiction will differ somewhat.

*Guam.* The enactment of organic legislation for Guam will have a profound effect on the authority and responsibility of the President and the Secretary of the Interior for the government of the island. Pending organic legislation would provide effective civil rights guarantees for persons on Guam, grant full legislative authority to the Guam Congress (it now possesses limited legislative authority), establish an independent judiciary, and define the authority of the executive branches of the local and federal governments with respect to Guam. The Interior Department is loath to assume responsibility for any area in the absence of governing legislation and has urged the Congress to act promptly on organic legislation for Guam. H. R. 4499 was reported out of the House Public Lands Committee favorably, with minor amendments, on October 3, 1949. The recent visit to the Pacific area of this committee's subcommittee on territories should hasten the enactment of organic legislation for Guam. After this legislation is enacted, Interior's relationship to the Guam government will be generally comparable with its relationship to other territories. However, for several years at least, more intensive support will have to be given in Washington to the Guam government than is required by other territories.

If organic legislation is not enacted by July 1, 1950, the effective date of transfer to Interior, the Interior Department will have to ensure that the Guam government functions so far as legally practicable according to the provisions of the recommended organic legislation, i.e., in accordance with fundamental principles of democratic government. This accords with the views of the present civilian Governor. The most urgent need is the establishment of an independent judiciary and defi-

nition of the respective powers of the Guam Congress and the Governor. While executive action can provide certain remedies, it is not an effective substitute for organic legislation and Interior's efforts will be focused to that end.

The presence of a large military establishment on Guam, which has been and in some respects will continue to be intimately associated with the Guam government, will result in differences in points of view which cannot always be settled locally. Examples of questions involving the interests of the Guam government with which the Interior and Navy Departments may have to deal are: (a) coordination of construction plans for the Naval Hospital and Guam Memorial (civilian) Hospital; (b) arrangements for the administration and costs of common services such as power and water supply and roads; and (c) return to civilian use of lands taken for military purposes but no longer needed for those purposes. In some cases it may be necessary for Guam officials to come to Washington in order that Interior officials may fully understand a problem. But such trips are costly and it is Interior's responsibility to be staffed to handle most matters on the basis of information supplied by the Guam government.

As in the case of other territories, Interior will have to establish and maintain relations with other agencies, private as well as public, which have interests on Guam or are capable of rendering services to Guam.

In the early years, Interior's legislative work load relating to Guam will be heavy. Few federal laws now apply to Guam. The extension to Guam of federal grants-in-aid and the services of some federal agencies will require special legislation. The proposed organic act provides for a commission to recommend what federal laws should be made applicable. The Division of Territories, with the help of the Guam government, will have to spark-plug the work of this commission and, until Guam obtains representation in the United States Congress, will have to assume a large measure of responsibility for initiating and pressing for enactment of necessary federal legislation.

Millions of dollars will be required from the federal government to complete public buildings and other facilities on Guam, al-

most all of which were destroyed during the war. Direct and indirect federal subsidies to the Guam government for operating expenses have totaled over \$3,000,000 annually; it is likely that substantial, though lesser, amounts will be needed under civilian administration. While immediate responsibility for preparation of budget justifications will rest with the Guam government, it will be Interior's responsibility to review and present them to the Bureau of the Budget and the Congress.

Because of its distance from the mainland, Guam will have to rely initially on Interior for assistance in recruitment of technical personnel not locally available. It is hoped, however, that Guamanians can rapidly take over professional as well as administrative posts at all levels in their government.

The above are examples of the functions relating to Guam which Interior will have to carry out after the transfer. Interior's responsibility as guardian of the rights and welfare of Guamanians will lead it into diverse fields and relationships. As public and private research reveals local needs and potentialities and as the Guam government, with the help of the federal government, evolves effective means for ascertaining and carrying out the will of the Guamanians, Interior's responsibilities for Guam should become similar to its present responsibilities for other territories.

*American Samoa.* What has been said of Interior's relationships with the Guam government and its role in Guamanian affairs is applicable to American Samoa with several important exceptions.

First, the Fono of American Samoa, unlike the Congress of Guam has never exercised legislative authority. The Fono's functions have been purely advisory. It will be vested with legislative authority if the organic act recommended by the Interior and Navy Departments (H. R. 4500, 81st Cong.) is enacted. If this act is not passed prior to July 1, 1951, the Interior Department will be responsible for seeing that legislative authority is granted by executive or secretarial order and that the Fono is staffed, organized, and otherwise prepared for the exercise of this authority. Until the Fono becomes an effective legislative body, the Interior Department will have to maintain close supervision over law-making in the territory.

Second, Guam can look forward to many years of prosperity as a result of military expenditures on the island and Interior will have many matters to take up with the Navy relating to Guam. In American Samoa, however, according to present Navy plans, the naval station will be closed down and naval personnel employed therein, including all members of the Fita Fita Guard, will be detached from duty or assigned to duty elsewhere. If the income to Samoans from the Fita Fita Guard, which is estimated at over \$250,000 annually, and from employment at the naval station is cut off abruptly without a commensurate increase in income from new or existing public and private sources, a disastrous blow will be dealt the Samoan economy and the Samoan government. While Interior will press prior to the transfer for measures to minimize the severity of this blow, it plans to assist the territorial government after the transfer to work out economic development programs to compensate for the loss of income which for the past fifty years has come to the territory from the naval station. It has been hoped that a fish cannery recently established on Tutuila might to some extent make up for the loss of this income, but the volume of fish caught in the area to date has not been encouraging.

Third, whereas Guamanians are already to a large extent assimilated culturally and politically to the American pattern, and seek to be fully assimilated, Samoans hold fast to their own social organization and culture. Interior has recognized the need of Samoans for special protection of their communal organization under law and plans to exercise careful supervision to ensure it. Special protection of local land and business enterprises is needed in Guam as well as American Samoa.

Fourth, Interior's assumption of responsibility for American Samoa will increase the extent of its participation in activities of the South Pacific Commission, an intergovernmental advisory body with headquarters at Noumea, New Caledonia.

*Trust Territory.* The Interior Department will have to provide policy guidance to the civilian government of the Trust Territory, having due regard to the terms of trusteeship, and to supervise closely governmental activi-



ties even after organic legislation for the Trust Territory is enacted. There is no territory-wide legislative body and none is likely to develop for a decade or more in view of the geographical spread of the area and the cultural differences among its peoples. Provision has been made in draft organic legislation for the incorporation of local communities and districts for purposes of local self-government and economic development and for the eventual establishment of a territorial legislature.

The Interior Department will have to exercise general supervision over the development of these local organs of self-government and ensure the maintenance of proper relations between these local instrumentalities and the territorial government. Research into local social and political organization will be needed as a basis for working out with the islanders community and district charters of local government and for perfecting the operation of local government after charters have been granted. The Interior Department will seek to enlist the assistance of social scientists in this research. In brief, Interior must attempt to ensure that local self-government is established and respected at each level where self-government is possible and that policy guidance and supervision is supplied where it is necessary that administrative personnel exercise legislative or judicial authority.

Because of the unique legal status of the Trust Territory, Interior faces a tremendous task in working out with the Congress and the various federal agencies the relationships of the Territory to the federal government. A consistent pattern may evolve, but initially it must be developed on an *ad hoc* basis, e.g., establishment of duty-free entry into the United States for products of the Trust Territory; preparation of regulations governing the entry of persons for permanent residence in the Trust Territory; and extension to the area of services of federal agencies such as the Post Office, Weather Bureau, and Department of Agriculture.

The status of the area as a trust territory will also increase Interior's stake in United States foreign policy with respect to trust territories generally and require Interior's representation at meetings of the Trusteeship Council and Security Council where questions arise

relating to United States administration of its Trust Territory.

As in the case of Guam, most of the governmental and commercial facilities on principal islands in the Trust Territory were destroyed during the war. No opportunity has been afforded the Trust Territory islanders, however, to obtain compensation for any losses they suffered as a result of the war, not even losses resulting from noncombat activities of American forces, and only a beginning has been made in restoring permanent public buildings and facilities. Interior will be expected to spur the federal government into action on these problems.

Because of the remoteness and isolation of the area, Interior will have to assist in recruitment and pre-entry orientation of personnel, to maintain a continuous flow of technical and regional information to personnel in the area, and to ensure logistic support for the area. Shipping and air transportation will doubtless be a major preoccupation of both the territorial government and the Department of the Interior for many years.

The Trust Territory, like Guam and American Samoa, has required and will require large federal subsidies. The known direct and indirect federal subsidy to the operating costs of the Trust Territory Government has exceeded \$12,000,000 annually.<sup>2</sup> One of Interior's major tasks will be to persuade Congress to appropriate sums which the civilian administration of the Trust Territory needs to carry out the obligations of the United States to the islanders and to the United Nations.

### Conclusion

INTERIOR's function in the island territories, as in territories now under its jurisdiction, will be to compensate so far as possible for the territories' temporary legal and other barriers to full self-government under the American system. There can, of course, be no substitute for full self-government, and Interior's primary responsibility is to narrow the gap be-

<sup>2</sup> For an analysis of this estimate, see the author's "Problems Involved in the Transfer of Responsibility for Guam, American Samoa, and the Trust Territory," in *Hearings before the Senate Committee on Appropriations on H. R. 6008, the Supplemental Appropriation Bill for 1950*, 81st Cong., 1st sess., (Sept. 12, 1949), pp. 108-22.

tween the existing status and full self-government. While it is working to this end in Hawaii and Alaska by actively promoting their statehood, it may be necessary eventually to conceive new and perhaps unorthodox political

relationships by which the people of Guam, American Samoa, and the Trust Territory can share to an extent equal to that of citizens of states control over their own governmental affairs.

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The following notice was issued by the four departmental secretaries of the United States government in 1818. A number of clerks had been discovered increasing their modest official income by acting as agents for citizens who had business to transact in their departments. The public sentiment of those simpler days was outraged. The notice is taken from *Niles Weekly Register*, Vol. XIV, p. 256 (June 6, 1818).

Excellent Regulation.—We trust that the spirit of the following notice will be preserved—it will do much good:

Notice.—The employment of an Agent or Attorney is *not necessary* in any claim against the government. It is most generally attended with *expense*, and sometimes with *actual loss*.

Claims will be promptly settled, when the accounts, and vouchers with which they are connected, are transmitted to the proper office.

Money will be transmitted, whenever a receipt for the sum due, or, where the amount is not ascertained, a receipt *in blank*, shall be forwarded to the Treasury Department.

Military patents, and certificates of military pensions, will be transmitted in like manner, whenever the necessary vouchers are forwarded to the proper office.

John Quincy Adams.  
Wm. H. Crawford.  
J. C. Calhoun.  
R. W. Crowninshield.

Washington City, May 27, 1818



## Symposium on Budget Theory

**F**ORTY years ago when the movement got under way to replace piecemeal appropriations with a comprehensive executive budget, budgeteers seemed primarily concerned with our municipalities. There the budget problem was most acute as pressures for services multiplied and resources were pushed to the limit. At the federal level, the executive budget came with the Budget and Accounting Act of 1921, with a new level of expenditures after World War I, and with a new level of revenue resulting from the income tax amendment. The states, with a different development of functions and a varied development of revenue resources, followed a different pattern; there was a steady tendency, however, to give to the Governors the duty of initiating a comprehensive budget.

Today, the United States budget is a determinant in all budgets, public and private, throughout the world. United States budget figures for economic aid and for military expenditures weigh heavily in the domestic and dollar balance of other governments; the more than \$2,000,000,000 of federal grants-in-aid annually have a direct impact upon state and local budgets; and the governmental budget is increasingly a significant factor in the total economy. The well-being of the American economy is anxiously watched in all of the world's capitals. The expanding role of government, the effect of its fiscal policies on the entire economy, and the new status of the United States in world affairs necessitate a readjustment of budget theory and practice.

Although a few of the early budget theo-

rists like Cleveland went far beyond a mere housekeeping approach and, indeed, developed an adequate theory for the times, a preoccupation with procedural matters has characterized the period since World War I. Thus, as V. O. Key, Jr., pointed out a decade ago, students of budgeting have not done much about one of the most difficult problems of budgeting—how to decide how much money one purpose or program of government should have by comparison with competing purposes or programs.<sup>1</sup> He observed that "the completed budgetary document (although the budget-maker may be quite unaware of it) represents a judgment upon how scarce means should be allocated to bring the maximum return in social utility." Yet the budget-maker, the economic theorist, the public finance expert, the economist, the professional planner, and the political philosopher, though perhaps recognizing the problem, have done little toward the formulation of any convincing principles, either descriptive or normative, concerning the allocation of public funds.

Key also noted the current emphasis upon efficiency in the review of estimates by budget authorities (although few standards of evaluation had been developed) and upon the question of the optimum aggregate expenditures. He considered the influence of pressure groups in the determination of the allocation of funds and concluded that the pressure theory suggested need for a strategically located bureaucracy with a strong interest in the general welfare, as opposed to the particularistic drives of spending agencies. After suggesting several areas of research at the federal and state levels, including the legislative process, he questioned whether almost sole reliance should be placed upon persons trained primarily in accounting and fiscal procedure.

Since Key wrote this article, events have not invalidated but have outrun his analysis. His emphasis upon the allocation of expenditures

NOTE: This paper is based upon a conference sponsored by the Public Administration Clearing House at Princeton, N. J., July 7-9, 1949. Responsibility for this report is assumed by Herbert Emmerich, Chairman, and by Joseph E. McLean, who served as secretary of the conference. The conferees included: Roy Blough, A. E. Buck, Jesse Burkhead, Herbert Emmerich, George A. Graham, Thomas J. Graves, Luther Gulick, Joseph P. Harris, F. J. Lawton, Wilfred J. McNeil, Leo L. Miller, Howard B. Myers, Don K. Price, Paul Strayer, Carl Tiller, and Joseph E. McLean.

<sup>1</sup>"The Lack of a Budgetary Theory," 34 *The American Political Science Review* 1137-44 (1940).

has been superseded with a focus on the total of budget, revenue, expenditure, debt, and fiscal policies and their effect on the economy. In the sheer magnitude of postwar budgets, federal, state, and local, in the unprecedented peacetime expenditures for defense, in the increasing recognition of a positive role for government in stabilizing the economy, and in the accelerating use of the grant-in-aid device, we see the forces that are lifting the budgetary process from a relatively mechanical or technical level to a complex administrative-politico-economic level. The development of new executive institutions, such as the Council of Economic Advisers and the National Security Resources Board, and the attempt to develop a "legislative budget" in the 1946 reorganization of Congress reflect the changing environment to which the budgetary process must be adapted. The budget document is not merely a systematic compilation of component estimates of income and outgo; increasingly, the summary budget has a total significance of its own. The economic effects of individual items of expenditure, of aggregate expenditures, and of the revenue features carry new and greater implications and must be subjected to a new kind of integrative scrutiny of both the executive and the legislature.

As Pendleton Herring once observed, "the formulation and execution of fiscal policy means the realization of economic objectives within a political context."<sup>2</sup> Today, more than ever, politics and economics are entwined; policy and administration are inseparable; and there is need for rapport between economists and political scientists and between the executive and legislative branches.

The new set of relationships has been given increased recognition in governmental action and in the literature of recent years. For example, a new emphasis has been placed upon the form of the budget and the functional classification of expenditures as a means of expediting necessary political decisions.<sup>3</sup>

Likewise, policy statements of the Committee for Economic Development have been con-

cerned with the significance of the budgetary process in the maintenance of a stable economy. The statement of the CED of November, 1947, on *Taxes and the Budget*<sup>4</sup> stressed the importance of the consolidated cash budget—which shows the government's financial transactions as they affect the whole economy—as an essential item in their analysis of three alternatives in budget policy: (1) the annually balanced budget policy (which attempts to keep government revenues continuously equal to or in excess of government expenditures, regardless of economic conditions); (2) the managed compensatory budget policy (which attempts to adjust tax rates and expenditure programs as often as necessary and to the extent necessary to keep employment or the national income steady at a high level); and (3) the stabilizing budget policy (the basic principle of which is to "set tax rates to balance the budget and provide a surplus for debt retirement at an agreed high level of employment and national income" and thereafter to "leave them alone unless there is some major change in national policy or condition of national life.") The CED recommended the last of the three alternatives as promoting economic stability.

Another significant position is that of the Hoover Commission, which criticized the federal budget as an inadequate document, which recommended that the whole budgetary concept of the federal government be refashioned by the adoption of a budget based upon functions, activities, and projects (the "performance budget"), and which recommended to the Congress that a complete survey of the appropriation structure be undertaken. The commission further recommended that the budget estimates of all operating departments and agencies of the government be divided into two primary categories—current operating expenditures and capital outlays—and that the President have authority to reduce expenditures under appropriations as long as the purposes intended by the Congress are still carried out.

In addition, the Hoover Commission, re-

<sup>2</sup> "The Politics of Fiscal Policy," 47 *Yale Law Journal* 724 (1938).

<sup>3</sup> See Jesse V. Burkhead, "Budget Classification and Fiscal Planning," 7 *Public Administration Review* 230 (1947).

<sup>4</sup> *Taxes and the Budget: A Program for Prosperity in a Free Economy, A Statement on National Policy by the Research and Policy Committee of the Committee for Economic Development.*

jecting the suggestion that the Bureau of the Budget be transferred to the Treasury Department, reaffirmed the responsibility of the Chief Executive for budget initiation, but it recommended that components of the Executive Office improve their teamwork.

The developments that have just been outlined led the conference to consider, among others, such areas as public budgets within a federal system, capital budgeting, the performance budget, problems of top level coordination, executive-legislative relationships, and international budget problems.

#### *State and Local Budgeting in a Federal System*

THE conference considered at some length the problems of state and local government budgeting in a federal system. It was observed that we lack a theory of budgeting for federalism—that whereas Europeans write on the problems of a unitary state, we must be concerned with a variety of geographical needs and of legal structures in addition to the historical framework of federal-state governmental relations. The conference noted that the original theory that each level has control of its own revenues and expenditures horizontally does not apply to our present federal budgeting pattern. Today we have a combination horizontal-vertical budget at the state and local levels. The feature of comprehensiveness has been destroyed; many expenditure and revenue items are controlled by other governmental levels. Budgets are balanced through grants from superior levels of government.

The vertical budget factor was implicit or explicit throughout the discussions of the impact of federal grants and of the problem of defining the fiscal responsibilities of state and local governments. The administration of specialized local and state programs tends to bypass the general executive and his budget office. The special enthusiasms, the special group and professional pressures—so vital to the several grant-in-aid programs—tend to deal directly with their opposite numbers at the granting level.

One conferee suggested this may be a social good even though it destroys horizontal bud-

geting. If we need an intensive development of service occupations to compensate for future technological unemployment then it may be desirable to let government run loose, to continue the pattern of vertical budgeting. The preponderant opinion, however, was that we need a conscious effort at integration, that program enthusiasm should not escape an integrated review, that we have arrived at a dangerous point where grant-in-aid and dedicated revenues are depriving communities of local choices in apportioning scarce resources. From this point of view the time for balance is now; we cannot risk over-allocating our resources to certain services at the expense of others. Already, distortions have appeared. For example, too high a proportion of state funds are spent on rural roads; too much may be allocated to veterans as a special group; in some states welfare-matching requirements have left nothing for other essential needs. The separation of education, highway, and health programs was noted. At the state level especially, coordinating mechanisms are lacking. There was general agreement that at no level of government is an adequate integrated review now made.

It was recognized that even before the grant-in-aid device became prevalent comprehensive horizontal budgeting was prevented by duplication and overlapping of local taxing and spending bodies—cities, towns, counties, school boards, special districts, and so forth.

Throughout the discussions, the conferees also recognized differences in the position of the national government on the one hand and state and local governments on the other. The dependence of state and local governments on the condition of the national economy, their restricted freedom of choice, and their restricted economic resources are obvious factors affecting the capacity of the lower levels of government to strike their own budgets and to formulate positive fiscal policies.

State budgets are becoming twin budgets covering state-operated programs and grants-in-aid to localities. A third factor of earmarked or shared revenues is emerging. The influence of the urban-rural conflict in state politics was noted.

Municipalities are now in a tight situation

—unable to maintain plant, let alone expand—and are pressing on new revenue sources. But, it was argued, it has not been demonstrated that the property tax has passed the ultimate point of its utility. Have not the municipalities been afraid to let assessments rise in conformity to the new price level? Property owners and groups have resisted vigorously. How much increased local taxation is needed to avoid the need for grants? The property tax has not approached the limit in many states. We do not know the economic limits of the property tax. To avoid increasing the property tax and to obviate the dependence on grants, new and unfortunate taxes are being levied. The confusion of inter-level duplicating tax sources is increasing.

#### *Federal Grant Policies*

SEVERAL questions on federal grant policy were raised. Can we halt the rise in federal subsidies? Should we subsidize only the poorer states? Can some states do without grants?

It was observed that grants have two purposes: (1) to help a poor state maintain a minimum standard of service where a national interest is involved; (2) to permit states or localities to support themselves without resorting to unfortunate taxes. Why should revenues derived from one state contribute to the support of another when no national interest is involved? It was pointed out that we already use variable grants, and many states (like New York) derive much of their wealth from operations outside their boundaries. It was also noted that the suggestion that grants be restricted to the poorer states was not politically feasible.

A third reason for federal grants (as opposed to direct federal operations) was suggested. Even if all states had equal per capita incomes, is it not a matter of public interest and of private conscience to tie the state programs together by conditional grants in order to develop a national pattern of administration? And conversely, even if a national function were involved, is it not desirable to keep actual administration in state hands with variations to meet regional differences?

The question of equalization through the lumping of grants was briefly discussed. The

New York state experience was cited. In 1932 an effort was made to persuade the Legislature to enact block grants. All agreed in principle. But the highway people were unable to come into the agreement because of federal law; the education people did not want to come in because of professional and associational points of view; specialized hospital groups (such as the tuberculosis hospitals) were unwilling to be covered. The sum of these pressures prevailed. Since that time the block grant (distribution by population) has come to be used on a limited scale.

Even though they are limited in their choice as contrasted with the federal government, do states and municipalities have a responsibility to develop fiscal policies which will stabilize the economic cycles of their areas? The question is particularly significant when local booms or depressions develop which may not have reached a point calling for national intervention.

It was observed that local powers are sharply limited, that fiscal policy in its largest terms is peculiar to the national level, and that cities especially are legally limited and their unilateral efforts may be impotent unless they can combine with other units for concerted action. Localities export prosperity and import depression; only the nation is big enough to keep prosperity at home.

One conferee felt that a state could be held responsible for developing a counter-cyclical policy. Others felt that despite its limitations a city has an obligation to its people and should act to meet an unemployment crisis. Within limits, a city's public work program should be developed on a counter-cyclical basis (see discussion of capital budgeting below).

The war and postwar experiences of state and local governments were cited as pertinent. State and local fiscal policies served their own as well as the national interest by running counter to federal fiscal operations during the war. During the war the states followed a deliberate policy, encouraged by Budget Director Harold Smith, the Council of State Governments, and the Municipal Finance Officers Association, of postponing public work programs, of maintaining tax rates, of reducing expenditures, of reducing debt,

and of building reserves. Certain cities continued a deliberate policy of postponing capital outlays in the postwar era although strong population, commercial, and other pressures operated in favor of expenditure programs. Obviously, however, the war incentive for a uniform national policy was no longer present. In fact, localities with unemployment should step up improvement programs. But there was a feeling that the first tendency of the makers of state and local fiscal policy was to wait for financial support from higher levels of government. Yet, it was noted, the cities had assumed the relief burden from 1929 to 1933, and even now states are taking the initiative in many fields without waiting for action by the federal government. And, as one observer pointed out, the pressures on cities in the postwar era, due to population growth, higher costs, and inadequate revenues, have been tremendous. Many cities are in arrears on things they need and can no longer postpone acquiring them, even though it might seem prudent to wait for lower prices.

The internal fiscal policies of the states with particular reference to public works and conservation expenditures are, of course, related to state planning activities. It was noted that state planning and development commissions are in a number of cases essentially promotional bodies; advertising for industries and tourists has become their central activity during the reaction against planning.

Some examples of state experience in physical planning in relation to fiscal policy were cited. New York has bought up some forest areas, but no satisfactory program of displacement of people has taken place. Wisconsin used rural zoning. There has been progress in New York on consolidation of schools (through lavishly generous financial incentives) and toward larger areas for welfare and health administration.

The state, it was argued, should have the right before pouring in its funds to ask if a locality has the resources to make a minimum contribution to community service. New York, for example, tried to gear in fiscal policy with rural area problems but ran into opposition from rural politicians. Over the years, this state has been conspicuous for recognition of its planning problems, but it has not been able

to overcome local vested interests. State Comptroller Moore has been skillful in interesting legislators and local officials in these problems.

The conference considered the question of federal responsibility toward states and localities. Obviously, all units of government would benefit if the federal government were able to stabilize the economy as a whole. One recommendation before Congress would reserve to state governments certain classes of revenue and perhaps provide compensatory reductions in grants-in-aid (the Hendrickson bill). Another problem is concerned with the operation of grants to assist in stabilizing the economy (here again the special groups would tend to nullify strong central budgeting). The federal interest in uniformity and equal treatment will often conflict with special area needs.

To some extent, federal policies may cause spottiness in the national economic picture. In wartime there were complaints from various districts about the lack of war contracts. Should the government in war and peace place business where it is needed? The present rate of military procurement approximates a wartime situation. The small business provision in the new supply bill was a reflection of this sentiment; although unenforceable, it might result in split orders. The distribution of government contracts to small businesses and depression areas presents an almost impossible administrative problem. The basic questions are: Should the government indulge in uneconomic buying? Should the government subsidize marginal producers and inefficiency, thereby discouraging the migration of industry and people?

One conferee felt that in one sense it would be tragic not to subsidize inefficiency. Others felt it undesirable to go too far in propping up regions or localities on an uneconomic basis by a selective procurement policy. One discussant suggested that it would be better to use the forces of fiscal policy with reference to total national employment and try to maintain stability rather than to try to intervene in specific situations. Another supplemented this remark by observing that if the market were left free to allocate resources, government could still improve the market through such activities as the exchange and retraining of indus-



trial workers and the offering of inducements to travel. It is a federal responsibility to encourage mobility, he asserted.

The question was raised of whether the federal government should take a longer view of its grant-in-aid policy instead of proceeding on a year-to-year basis? If rules of the game were announced in advance of booms and depressions, the states would know and could act. It might be useful for the federal government to adopt a long-term program and to announce the criteria as to types of action it would take in particular circumstances. Even here, there was a warning that states and localities might continue to wait, hoping for a "better" policy. This long-term view has been embodied in the CED suggestions for stabilization of tax rates.

It should be a feature of federal policy to discourage reduction of salaries or reduction in personnel by state and local governments at a time when private employment goes down several conferees contended.

Another area of discussion was the credit position of state and local governments. If states and municipalities lack needed credit, why not make available to them federal credit for public works? The federal government might make loans and grants on a "lend-lease" basis as a means of stimulating local initiative. One participant suggested that the lend-lease program be used as a means of "buying out" the tax-exempt privilege of state and local securities. Here again, a stated policy on federal grants would help to discourage waiting and speculation on federal policy.

Should a state as a condition of loans and grants be made to conform to certain standards *re* a desirable tax structure? A negative answer was given on the basis (1) that a slump is a poor time to raise taxes and (2) that such action would constitute undue federal interference.

Who should decide when federal lend-lease would become operative? There would be needed some formula under which Congress could delegate specific authority to the administration to act under specific conditions. Would it be feasible to obtain such a delegation of power? The difficulties seem very great. Further study and invention in this area are obviously needed.

It was suggested as a related educational device that state budget officers be called into informal, close conference with personnel of the Bureau of the Budget and the Council of Economic Advisers at regular intervals. This has not been done yet; Budget staff have met with a few state budget officers on occasion and the federal director has spoken at conventions of state budget officers. Conferences such as suggested could be of great value in coordinating federal and state fiscal policies, particularly if they were held before policies had been frozen for the fiscal year.

#### *Budgetary Time Cycles*

**S**HOULD a change in the present practice of states to budget for two years be recommended? Should there be a two-year budget at the federal level?

It was pointed out that the trend has been toward annual state budgets. Even in the biennial states, interim sessions of the Legislature actually mean annual budgets. State budgets are keyed to the upper and lower levels of government. In the words of one conferee, "all budgets are projections of fiscal conditions you have gotten yourself into." Hence, municipal budgets might well come up for consideration every six months. There are twin factors involved—the regular cyclical consideration versus the day-to-day search for adjustment. Although a semiannual consideration might appear to turn the clock back, it must be remembered the present procedure has developed through improvisation. It might even be feasible, though difficult, to change tax rates during the year, if such change seemed needed. Longer projections and more frequent reviews by the legislative body are both desirable.

It was argued, on the other hand, that business is interested in certainty as to revenue responsibilities. There is no magic about a year period. Stabilization of tax expectancy is more important. Furthermore, it was argued, the longer the projection, the greater is the inertia built up against change in the budget estimates.

It was observed that fewer than half the states have adequate budget staffs and that state budget officers have only limited authority. The California and New York offices

have the most authority, yet even in these states, the discretion of the Governor and the budget director are limited. Dedicated funds amount to 70 per cent of the state budget in California. Untouchable areas limit the scope of review of the state budget officer. The professional or specialist officials tend to work at cross-purposes with the central budget officer. There was general agreement that it is very difficult to build up state budget staffs to their necessary size and quality to enable them to assist Governors in general budgeting—such progress as has been made has been accomplished in the face of real obstacles.

### *Capital Budgeting*

THE concept of capital budgeting has been developed with some success at the local level. The recommendation of the Hoover Commission that it be utilized by the federal government underlined the importance of considering it at this conference. A first question was whether there has been any real attempt at capital budgeting in the federal government. The answer was negative, the federal government has not followed the local practice of borrowing only for capital outlays. With the exception of a few *ad hoc* operations, it was pointed out that in several cases this principle has fostered overborrowing locally.

It was observed that this was another area where we should be cautious in applying local principles to the federal government. In state and local governments capital budgeting has been influenced not alone by taxing and borrowing limits and by the executive and the legislature but also by the planning machinery. Capital budgets are the major elements in the local budget that may be flexed as a factor in fiscal policy. Some long-range planning at the state and local level is possible; a shelf of improvements can speed up outlays in a period of depression.

One observer felt that the record of state and local government is fairly good on holding back on capital outlays. He queried whether there is any justification for federal capital budgeting, except for the timing of public works. The remarks on this question referred to the need for advance financial planning and the fact that a list of public

works projects would always require a choice to bring it within the range of financial feasibility.

One conferee felt that capital budgeting in the federal government would put the emphasis in the wrong place. Capital budgeting, he argued, is incompatible with performance budgeting. If the budget classifications are to be on a functional basis, can capital outlays be fitted in as a subsidiary classification? The accountant will differ with the economist. How shall we classify expenditures which increase the productivity of the people—soil conservation, health, business loans, and so forth? Under present definition a federal capital expenditure is a substantial item for the acquisition of a federal asset.

Another conferee liked the idea of capital budgeting in the federal government. He pointed to the danger of the government's committing itself to huge outlays with a few thousand dollars, as when a \$300,000,000 project was started with only \$200,000 appropriated. He would leave to the administration the question of determining the line between capital and current expenditures; in most areas, this would not be difficult. Although there is no practical linkage between capital outlays and the method of financing at the federal level, it may be useful to distinguish between postponable and nonpostponable items. There was no sentiment in favor of relating federal capital expenditures to federal borrowing or taxation policy.

### *The Performance Budget*

THE most discussed single concept in current budget thinking is the performance budget. An old idea revived by the Hoover Report, it was part of Cleveland's thinking in 1910-12 and was tried in the Borough of Richmond, City of New York in 1913-15. The essence of the idea is that the budget should be tied to programs in order to provide an easier basis for policy-making.

The traditional accounting technique was based upon vouchers, which made the object classification acceptable (for both accounting and budgeting). This approach was suitable to a simpler era. The performance budget is intended to show what the *ends* of govern-



ment spending are and thereby to relate past performance to future policy objectives. This concept necessarily involves a re-analysis of top functions and a reconsideration of the appropriating process in Congress.

The performance budget was offered as a means of correcting the present misunderstanding concerning the cost of government. Too many people feel that the cost of government lies in personnel; a program approach is necessary if the public is to understand that the basic cost of government lies in programs, not personnel.

For the last three years the federal budget has summarized government spending in terms of about a dozen broad functions. Each appropriation has been assigned in toto to one function for purposes of this classification, and the breakdown of each appropriation has often been in terms of objects rather than purposes. Since many appropriations are used to carry out more than one program or activity, this approach has not been entirely satisfactory.

The Bureau of the Budget staff, in implementing the recommendations of the Hoover Commission, hopes to obtain the consolidation of appropriations where several appropriations of a given agency finance the same program or similar programs. The Bureau of the Budget is also attempting to obtain and print in the budget document an analysis of each appropriation according to the programs and activities which it finances. The object classification will be retained, however, as a second schedule for each appropriation, adding to the same total as the analysis of programs and activities.

Another phase of performance budgeting involves a breakdown between current expense and major capital outlay. The Bureau of the Budget staff is working on a three-way breakdown, in addition to the identification of programs: (1) current expenses, (2) transfer payments, and (3) major capital outlays.

The conference discussed the relationship of the performance budget to organization structure at some length. The attempt to define functions or purposes obviously encounters organizational obstacles. For example, the new housing program can be looked upon as a single program, but it involves several agencies, particularly the Housing and Home Fi-

nance Agency and the Department of Agriculture. Even within the Department of Agriculture the rural housing program involves several bureaus. Should the program be handled in one package or split up? Thus far, the answer would be to follow departmental lines, and probably in most cases of this type would involve separate appropriations for the separate bureaus involved. Within a bureau, however, appropriations would not be made in separate amounts for suborganizations; an effort will be made to get most bureaus on the basis of not more than three appropriations—one for each of the three items named above.

A further problem relates to the handling of executive direction, administrative services, and other work which may be performed on a service basis within a department or bureau. Should such items be set out separately in the classification of costs by programs? Or should they be distributed among and added to the basic programs, in order to show the costs of end purposes? The second course seems to be desirable, but it was agreed that certain compromises will have to be made in the direction of the first.

#### *Units of Work Data*

AN ADDITIONAL feature of the performance budget—the work plan—was also discussed. Present Budget Bureau thinking calls for an agency work plan with work volume figures. A narrative statement would be required for each appropriation showing work load and unit costs where possible. Data would measure not results but units of work accomplished.

Several conferees questioned the enthusiasm for unit costs in the work plan narrative and noted certain dangers. Many judgments are involved in determining actual unit costs. Statistics will be open to different interpretations. Except in repetitive mass operations they are apt to be misleading. It will be difficult to measure quality. In some cases, the need for developing new techniques (e.g., in the military) should be given greater weight than statistical unit costs. One conferee noted these dangers: the executive may be overly kind; the reviewing agency may abuse the information provided by agencies. Nevertheless, he felt that the good outweighed the bad. It was suggested that it might be desirable to withhold printing

of unit cost figures in the budget document for several years until their validity had become established.

The question of final authority over the work plan narrative was raised. It would appear that the narratives would be written by the agencies, subject to review and editing by the Bureau of the Budget.

Other questions on the performance budget concerned its effect on the appropriation process. During the next three years as the change to the new presentation is made the whole appropriation pattern should be changed. The Bureau of the Budget is concerned with the problem of meshing in the appropriation language, a task that will take at least three years. The staff has concentrated on two or three big agencies in the first year. The immediate goal has been three appropriation items per bureau. There is hope of getting rid of separate appropriation limitations. The problem of selling the performance budget to committees and the sheer size of the physical task have made it impossible to do the whole job in the first year.

The performance budget involves the surrender of some control over details by the Congress and by the Bureau of the Budget. However, the theory of the performance budget implies a better control of the end result. Congress will still have such controls as the hearings and reports of the Appropriations Committees, and the Bureau of the Budget will have as another control the enforcement form.

The problem of the performance budget for state and local governments is simpler. Old programs are taken for granted, and budget bodies are concerned principally with new personnel and projects.

The emphasis in the traditional evolution of local budgeting and accounting has been upon the approval of vouchers—hence the development of object classification.

It was noted that New York City has no personnel classification act and partly for that reason has a highly itemized line item appropriation act; New York State has both.

The sheer inertia resulting from the budget documents of various jurisdictions is a factor against change.

The question of the treatment of grants-in-

aid in a performance budget cannot be answered easily. One conferee suggested that the federal government might separate current and capital expenses in its classification of grants. Grants should encourage program budgeting, and federal grants have already stimulated the program basis.

In summary, the conference felt that the recommendation for a performance budget merely accelerates a trend and is not a revolutionary proposal; it rests upon sound experience and is administratively and politically feasible. It is related to the reorganization of structure and to the greater effectiveness of administration. In the accommodation of fiscal control to administrative structure, there is a coincidence of finance and administration.

The performance budget places new emphasis upon work load as a justification for budgets and tends to shift responsibility for methods of operation to the administrator of the program.

Below the federal level, there is greater acceptance of programs and hence greater emphasis upon object classification.

The conferees agreed on the desirability of the new three-character breakdown; they recognized the policy danger introduced by the capital outlay. There was general agreement, however, that the separation of capital and current expenditures, if used only where clearest distinction could be made, would clarify the budget for Congress and the public.

#### *Top-Level Coordination*

THE problem of top-level coordination of budget policy in the executive branch was also considered. It was reported that the President was following for 1951 the practice of the last two years of setting advance "ceilings" on appropriation requests to be made by the departments in lump sums before their detailed requests were called for, but that much more opportunity for top-level discussion of ceilings was being offered.

The Bureau of the Budget now follows the general procedure here outlined. In May of 1949, for example, a preview of the general fiscal situation was made (check on bills in Congress, forecast of ultimate congressional action, tentative estimates of receipts and expenditures for fiscal 1950 and projected into

1951, and forecast of new legislative requests). Each major agency was asked to review its situation. Discussions were held with Cabinet officers and heads of major agencies on the 1951 budget preliminary to the actual beginning of estimates; forecasts were revised, and the President then received from the bureau proposed ceilings—in some cases with suggested limitations within the ceilings. The ceilings relate only to monetary needs under existing legislation; the cost of proposed legislation is not so covered. The President then determined his ceilings and the director of the budget informed each department head of his ceiling. Departments are expected to develop a well balanced set of appropriation requests within the ceiling; they may however, submit additional requests in the form of a "B list" of lower priority items.

#### *Executive-Legislative Relations*

WITHIN the large area of executive-legislative relations the conference directed attention to the timing of the budget document, the work of the congressional committee staffs, the implications of a single appropriation bill, and the need for a fundamental study of the role of Congress.

At several points, the difficulties in planning from eighteen to twenty-four months in advance of actual expenditures were noted. The President's budget submitted in January is inevitably subject to change. In one session, several hundred budget changes were made. One conferee suggested that the budget be submitted in loose-leaf form; fluctuating items might be held out until March or April.

One suggestion was made for further study and development—that the President send up two budget messages, a preliminary one in January and a definitive one in April. Advantages and disadvantages of this proposal were noted. Obviously, there are many imponderables—economic cycle, price changes, foreign affairs, the political climate—which make it desirable to review estimates submitted far in advance. Over-all attention is concentrated in January but then is rapidly dissipated. Congress has no idea what the total spending will be, and the provision for Congress to fix a total has been a failure. How can we get a focus on

total spending? Perhaps a definitive recommendation in April by the President would solve the problem.

The notion of submitting a revised summation in the spring has definite hazards. The President could not afford to recognize actions already taken by the House committee against his original recommendations since that would mean giving up the fight in the Senate. If his revised total were higher than the original, pressures would be increased; if it were lower, political capital might be made of the errors of his original estimate. Would advance consideration injure or protect the integrity of the President's budget? Would the House tend to wait until the presidential recommendation was final?

One of the advantages of advance consideration, it was pointed out, is that the Bureau of the Budget has a series of completion dates and receives proofs of part of the budget document by the end of November. Many of these estimates are relatively firm. House subcommittees are able to use this material and to give advance consideration and in some cases are ready to report early in January.

It was suggested that the Senate should not wait for the House bills to start its work on the budget. The Senate Committee on Appropriations has been serving as a court of last appeals, giving main consideration to questions of restoring cuts. Its hearings are generally shorter than those of the House, although lately there has been a tendency for the Senate committee to look at the whole budget and to be more active.

The single appropriation bill might force the Senate to start work at the same time as the House. It might also have other advantages. The total figure for spending would be before both Houses and could be related to the revenue estimates of the Joint Committee on Internal Revenue. Some observers felt that the single bill would fix political responsibility; the legislators would have to vote on the total. (One conferee reported that in California in the conference report each House accepts the other's cuts). The difficulties of getting a single appropriation bill through on the floor were noted.

The relation of revenue forecasting to the budget process was briefly discussed. Antici-

pated revenue has a considerable effect upon the total estimate for expenditures; no President is anxious to submit a deficit budget. It was also noted that in 1947-48 a good many people had argued for a tax cut as the way to economy in expenditures. There was fairly general agreement that in the case of the federal budget annual balancing is no longer necessary, but that in good times there should be a surplus for debt retirement. One participant vigorously questioned whether the objective of balancing the federal budget should ever be put ahead of the welfare of the economy.

The question of annual balancing led to a discussion of the proposal advanced by the Committee for Economic Development to use the budget for stabilization purposes. The basic rule of this policy is that cyclical changes in tax rates would not be required. Tax rates could be set to balance the budget and to yield a moderate surplus at an agreed high level of employment and national income. The tax rates would then be left alone except in the event of some major change in national policy or national conditions. Tax revenue would then rise in periods of inflation and fall in periods of depression.

The work of congressional committee staffs was also considered. Clerks handle such matters as correspondence and arranging for hearings and witnesses; the professional staff consult with and brief the subcommittee chairmen and do research. The staffs vary considerably in caliber of personnel and in their approaches, ranging from the professional analyst to the investigative or "police" type. There are sharp cleavages between committee staffs of the two Houses and in some cases even sharper cleavages between committee staffs of the same House. It is difficult to get staffs to work together although there is some interlocking in the Senate.

From the executive side, an opinion was given that some of the staffs should be improved and that a continuing review of estimates would be desirable. On the other hand, one fact-finding group would be preferable to four.

The role of the Budget Bureau entered this discussion. It was observed that committee

staff contacts with the bureau are good (there is now no strong feeling on the Hill that committee staffs should sit in on bureau hearings). The suggestion was made that bureau examiners be present at committee hearings. Fear was expressed that the examiner would be the witness most of the time. (In California, however, the departmental representatives carry the ball at legislative hearings.)

It was stated that Budget Bureau follow-up on budget matters is excellent, and is far superior to the staff work of the executive office on other legislative matters.

There was general agreement that a study of the relationships of committee staffs to the executive, and of the ethics, etiquette, and demeanor of the staffs would be of great value. Does the committee staff man assume to speak for Congress? (It was observed that the Bureau of the Budget staff no longer has the "I am the President" attitude.)

There was strong feeling, however, that a more fundamental study of Congress is needed. What is the basic function of the legislature in a complicated government rendering so many services? The public expects Congress to do things it cannot do. Is there enough top-level consultation on budgetary matters between the White House and congressional leaders? Are the chairmen of subcommittees representative of Congress and responsive to it? If the political composition of the legislature changes, what are the implications for executive-legislative relations?

#### *International Budget Studies*

THE need for more comparative studies of budget practices in other countries was brought up. A special conference of budget officers from six or seven leading countries was suggested, with very careful preparations made for it. The interest of the United States government in foreign budgets is no longer academic—the Economic Cooperation Administration is scrutinizing them every day in connection with its recovery program. The Twentieth Century Fund has begun a related study. The commercial nature of the Swedish national budget was mentioned. The British budget message stresses revenue, not expenditures (how many shillings per pound will

the tax rate be increased?) Foreign governments are more preoccupied with import and export balances than with internal balances on account of their desperate dollar shortages. Much more information is needed on the details of budgetary techniques in other nations. They could benefit, in turn, by knowledge of American methods and problems.

#### *Research Suggestions*

**I**N SUMMARY, the conference made the following specific suggestions for further study:

1. Research in state and local budget processes.
2. A survey of possible counter-cyclical action by state and local governments (CED interest). This study might be broadened to review the present status of state supervision of local finance.
3. A re-evaluation of the role of the Council of Economic Advisers. This project may have

to await a period when the council is called upon to exercise a more positive function, as in a depression. Experiences with central economic planning in Great Britain may be instructive.

4. The development of additional materials on fiscal policy procedures.
5. Study of congressional committee staffs and their relations with the executive branch.
6. A basic study of the role of the Congress in our present budgetary system.
7. Exploration of possibilities for developing liaison between state budget officers and national officials of such agencies as the Budget Bureau and the ECA.
8. An international survey of budgeting and a conference on comparative theory and practice in budget making of representatives of six or seven leading countries.

The soundness of a fiscal program must first of all be judged by whether it allows the people, through their Government, to meet the demands which the foreign and domestic situations put upon them. The necessary functions of the Government in our complex society are varied and widespread. They require large expenditures but they are vital to our security, to the protection of our liberties, to continued social and economic progress, and to the welfare of our people. . . .

The soundness of the Government's fiscal program must also be judged by its impact on the economy. The Federal Budget is a substantial part of the total flow of incomes and expenditures in our country each year. Federal receipts and expenditures must both be planned to encourage the prosperity of the economy and keep it healthy and growing. Irresponsible and short-sighted budgetary action could contribute to a worsening of the world situation and to a decline in production and employment in the United States. . . .

The soundness of a fiscal program must be judged, finally, in the light of where that program will take us over a period of years. This is partly a matter of necessity: most Government programs are based on a time schedule extending over a number of years, and a large part of the Budget in any one year represents binding commitments to spend established in previous years on the one hand, and tax liabilities already incurred on the other. It is primarily a matter of wisdom: sharp and arbitrary changes in Government programs, even where feasible, involve economic loss and dislocations, and may cause serious damage to parts of the economy. . . .—Budget Message of the President, January 3, 1950 in *The Budget of the United States Government for the Fiscal Year Ending June 30, 1951* (U. S. Government Printing Office, 1950), pp. M6-M7.



# Social Security and Public Employees

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THE recent passage in the House of Representatives of a set of far-reaching amendments to the Social Security Act, and the almost certain approval by the Senate of these amendments early in 1950, open up to public employees a new vista of social security protection. In its provisions for old-age, disability, and survivors insurance, the bill, H.R. 6000, is the lineal descendant of the successive Wagner-Murray-Dingell bills and contains, in more or less modified form, most of the recommendations made by the Social Security Administration over the last eight years, by the Advisory Council on Social Security to the Senate Committee on Finance in April, 1948, and by the Administration in its comprehensive bill, H.R. 2893, introduced in February, 1949.

Briefly H.R. 6000 extends coverage to about 11,000,000 persons in addition to the 35,000,000 now covered during an average week; increases benefits by an average of about 70 per cent immediately; makes it possible for the new benefits to be awarded after five years of operation to average approximately twice those now being awarded; simplifies the conditions of eligibility for old-age and survivors benefits; liberalizes the restrictions on employment for persons on the beneficiary rolls; provides benefits to workers forced to retire before age 65 on account of total disability; and gives the World War II veteran wage credits for the time spent in military service. Of particular interest to public employees is the extension of coverage, on a compulsory basis, to 100,000 civilian employees of the federal government and its instrumentalities who are outside the protection of any federally established retirement system and to certain employees of privately owned transit companies taken over by governmental units, and the ex-

tension of coverage, on a voluntary basis, to a potential 3,800,000 employees of state and local governments.

It is the purpose of this article to point out the spottiness in the present coverage of state and local employees by existing retirement systems, to enumerate some of the inadequacies of these systems, to demonstrate the excellent possibilities soon to be created both for those who are under retirement systems and for those who are not, and to allay the fears of the former that the application of the provisions of H.R. 6000 would destroy the vested interests they have already acquired in their systems.

## *Extent of Present Protection*

OF the 3,800,000 persons employed by state or local government units in the course of an average week, about 1,500,000 are not covered by any retirement plan. If teachers are excluded from these figures, it is found that a majority of those remaining are not covered. Twenty-eight states have state-wide provision for the coverage of municipal employees, although often affiliation with the retirement system is optional with the municipality; four states have systems for special classes of municipal employees only; sixteen states have no state-administered retirement system covering municipal employees. About 92 per cent of all cities of over 10,000 population have retirement systems, but one-third of them cover special classes of employees only, generally firemen and policemen. Eighty-seven such cities, including three with a population of over 25,000, have no plan at all. Cities under 10,000 population employ in the neighborhood of 250,000 persons; here there is almost no coverage except for the few cities that participate in state systems.

Much as public employees need the protection of a retirement system, it seems likely that a large proportion of those not now covered never will be except through federal legislation such as H.R. 6000. States and municipalities cannot afford to offer their employees the kind of protection available through the general program except at a prohibitive cost. Many municipalities are too small to operate an insurance program on any practicable basis. Public employees desirous of purchasing some form of old-age and survivors insurance commercially find they can purchase only part of the protection the general program offers and that the rates for such insurance are many times higher than the federal tax.

With few exceptions, public retirement systems are designed with the career employee in mind. They provide benefits according to formulas so constructed that the life-time employee can retire on an allowance amounting, usually, to somewhere between 40 and 60 per cent of his final average salary, and the short-service employee on something less. In general, each employee who qualifies receives a retirement annuity in proportion to his own individual contribution. Often a substantial period of employment—ten, fifteen, twenty, or more years—is required to qualify for an annuity, shorter periods being rewarded merely by a return of contributions.

This approach is in the best tradition of staff pension plans; it has nothing in common with the social benefit approach of modern social insurance in which emphasis is placed on insuring against risk. The risk is lost income, and the way to insure against it is to provide for the replacement of some proportion of that income. Consequently, the service requirement for a retirement benefit under the federal program is relatively easy; the benefit bears only a minor relationship to length of service; in order to spread benefits so as to provide at least a subsistence-level income for nearly everyone, the benefits for the lower paid workers represent a higher proportion of their average earnings than do the benefits of the higher paid workers; and additional benefits are provided for the retired employee with dependents. Under systems at present in force in states and municipalities tens of thousands of persons who have rendered service in public

employment "covered" by a retirement system reach retirement age without qualifying for an annuity because their service is insufficient; in many cases the same service would have entitled them to a federal old-age insurance benefit. Tens of thousands of others who do qualify for public retirement benefits could have qualified for higher benefits under the federal program. Under H.R. 6000 this will be true of most employees who reach age 65 with less than twenty years of service, and of a good many of those with even thirty or forty years of service, especially if they have a wife also age 65. It is interesting that two states, Iowa and North Dakota, have modeled their retirement plans after the Social Security Act instead of the typical public retirement system.

Retirement under state plans is usually permitted at age 60 or 65; it is occasionally permitted at age 55 on the basis of exceptionally long service. Most states, however, permit retirement at earlier ages in case of permanent disability. Usually the service requirements are more stringent and the benefits are less liberal in ordinary disabilities than in service-connected disabilities. Four general state plans make no provision at all for disability retirement; in a few cases provision is made for service-connected disability only. Disability retirement is not provided under the present Social Security Act, but it is one of the most important features of H.R. 6000.

Existing public retirement systems are most inadequate in survivorship protection. Annuities for survivors of employees whose deaths are not service connected are rare. Aside from three states that have plans for special groups of employees, only Iowa and North Dakota pay annuities to survivors. The typical survivor benefit is a lump-sum return of the employee's contributions, with up to six months' salary added by the state. Under most of the general state systems, a retiring employee may elect to receive a reduced annuity in order to provide an annuity or lump-sum payment for his beneficiary, but that is, of course, of no value to the employee who dies before retirement. In summary, it may be concluded that perhaps 80 per cent of the state and local employees who are covered lack adequate survivorship protection. This consideration alone

should make coverage under the federal program attractive to the vast bulk of public employees.

#### *Other Defects in Public Retirement Systems*

PUBLIC retirement systems have other less obvious defects. Present systems are designed primarily for those who remain in the service of the same state, and sometimes of the same state unit or the same municipality, until retirement; workers covered by such systems do not enjoy continuous protection when they shift from one government unit to another, or between public and private employment. The great majority of those who leave public service before retirement age forfeit any rights to retirement benefits they may have acquired. An employee who transfers his employment from one state to another usually loses his retirement rights with the first state. If he is no longer young, he often finds it impossible to accumulate enough service to earn an annuity from the second state. Similarly, a person who enters public employment from private industry may lose all or part of the protection he has acquired under the federal insurance program. Some indication of the extent of the problem of shifting employment may be gained from the fact that the number of persons employed by state and local governments in the course of a year may exceed by about one million the number employed in the course of a month. Much of this difference is accounted for by temporary and part-time employment, but the annual turnover in permanent full-time jobs probably ranges from 4 to 7 per cent.

The result of the patchwork of public retirement systems is to tie employees to their jobs. In consequence, municipalities lose the benefit of a constant interchange of personnel and the stimulation that comes from the injection of new blood. The obvious loss in morale to the municipal employee of ten years' standing who finds it necessary to pass up a better opportunity in industry or in another state is as harmful to the governmental unit to which he is tied as it is the employee himself. Several city managers and municipal personnel directors who testified in favor of H.R. 6000 complained that they cannot compete with industry in the recruitment of competent

personnel. One said that even though his city has several retirement systems, he cannot in good conscience hire an employee from private industry without first warning him of the loss he will suffer in social security protection. Several complained about the cost of retaining old employees who have outlived their usefulness but who cannot qualify for pensions. It is clear that where a retirement system provides for a pension after a minimum of twenty-five years of service, a personnel officer will be reluctant to hire a man past 45, or even 40, unless there is a provision in the retirement system excluding from its benefits persons hired after a certain age.

It is only fair to point out, however, that shifting coverage may sometimes work to the employee's advantage. A public employee, for example, who is covered under a retirement system which grants a vested right in a deferred annuity after a stated period of service may work for his government unit long enough to acquire that right, transfer to private industry, and qualify for two benefits at age 65. Or, if he has acquired a permanent insured status under the Social Security Act by virtue of ten years' employment, he may transfer to public service and, again, by proper timing of his two employments, qualify for dual benefits. In either case, the combined total is probably greater than the benefit that would have been paid under either system had all his employment been under that system. Since the weighted social security formula was designed to favor the worker with relatively little employment, the fact that it can favor the one with considerable employment, of which only the minimum portion is covered, must be considered as undesirable from the point of view of public policy.

In spite of such minor exceptions, one is forced to the conclusion that the average public employee who is covered by a retirement system stands to gain from being included in the federal program almost as much as one who is not covered at all. Actually, he may gain more, since at the same time that his government unit is covered his retirement system can be modified and retained as a supplement to the basic system, with a guarantee that total benefits will in no case be reduced.

*Effect of Enactment of H.R. 6000*

SPACE does not permit an enumeration of all the benefits provisions of H.R. 6000, but it is possible to visualize their effect on the employees of a particular governmental unit. For this purpose, it is assumed that the employees are immediately covered by a federal-state compact (described below), that they are all over 21, and that they have had no previous social security employment. After a year and a half of continuous employment, each employee becomes currently insured and thereby the possessor of a "life insurance policy" that in case of death may be worth thousands of dollars if he has one or more children under 18. In another three and one-half years he acquires a "disability retirement policy" which, in case of total and permanent disability, entitles him to a lifetime income. At the same time, his "insurance policy" increases in value because he is now fully insured. Moreover, if he is 65 years of age, he is now entitled to an immediate retirement annuity. If he is younger and continues working, he permanently acquires a fully insured status five years later; he may then be a relatively young man but he has the guarantee of a pension at age 65 even though he has no further employment. An employee who is 65 years of age or older on the effective date becomes eligible for retirement if he can hold his job for five years or for a period which, subject to a minimum of one and one-half years, is half as long as the period after 1936 and before he reached age 65.

The method of computing benefits, while formidable at first glance, is fairly simple—more simple, in fact, than in many of the public retirement systems which require the use of actuarial tables. Under the assumptions made above, the formula provides in the case of a \$3,000-a-year employee who works steadily for ten years from the date of the compact and retires at age 65 a monthly old-age benefit of \$68.30. If he has a wife age 65, his benefit is increased by 50 per cent; if he has one or more unmarried, dependent children under 18, each of the children and the wife, regardless of her age, receives a dependent's benefit of one-half of the employee's benefit, subject to a total family benefit of \$150. If the employee is retiring before age 65 on a disability benefit,

however, these dependents' benefits do not become payable until he reaches age 65.

If the employee dies at the end of the ten years of service leaving, say, a widow and two unmarried, dependent children under 18, the widow receives \$51.30, the younger child \$51.30, and the older child \$34.20, making a total family benefit of \$136.80 per month. In addition, there is a lump-sum benefit of \$204.90. The monthly family benefit is reduced to \$102.60 when the older child reaches age 18, and is terminated when the younger reaches 18. When the widow reaches age 65, however, her benefit of \$51.30 is resumed and continues for life, if she remains unmarried. (All of these figures could potentially be somewhat higher in the case of an employee who had previously been under social security coverage at some time; on the other hand, they would be lower if there is a delay in consummating the federal-state compact.)

*Federal-State Agreements under H.R. 6000*

UNDER H.R. 6000, coverage of state and local employees, other than transit-company employees, would be effected only by a compact between a state and the federal security administrator. A compact would be made with respect to a defined coverage group, which, in general, would comprise all the employees of a state or of a political subdivision of a state. For any group to be covered, all of the employees in that group (with certain exceptions such as part-time workers and elected officials) would have to be covered. Members of an existing retirement system would be treated as a separate group, and coverage could not be extended to them unless the affected employees and persons over 21 on the beneficiary rolls elected to be covered by a two-thirds vote in a written referendum. Although it is not so stated in the bill, it is intended that this election be conducted by secret ballot. According to the House report on the bill, the provision for a referendum is included to assure those covered by existing systems that adequate safeguards are present so that their pension plans will not be destroyed.

Once a group is covered, the state would be required to pay amounts equivalent to the combined employee and employer taxes that would be due just as if the services covered

under the agreement constituted any other social security employment. Presumably, the state would reimburse itself for half of the tax by payroll deductions. If a state failed to pay the required contributions while a compact was in effect, the federal government might deduct the arrearage, plus interest, from payments otherwise due to the states under other titles of the Social Security Act, chiefly public assistance grants.

A state would not be permitted to terminate an agreement until it had been in force for five years, and then would have to give notice at least two years in advance, the two years beginning not before the expiration of the five years. Once coverage of a particular group was terminated, that group could never be covered again.

Although it is difficult to see how they could be avoided, certain difficulties are inherent in the provisions for federal-state compacts. The procedure may prove cumbersome and time consuming, and the time lost in process may cause permanent damage to the benefit protection of the affected employees. An employee whose coverage is not made retroactive to the effective date of the amendments will have to work longer to acquire insured status, and the eventual computation of his or his survivors' benefits will always reflect a penalty for the period of time that was lost. Perhaps a more serious problem lies in the fact that the state determines whether the employees of a particular coverage unit will be covered. It is the state that must enter into the compact with the federal government; and, regardless of how strongly the employees of a municipality, say, wish to be covered or how strongly the municipal council wishes to cover them, if the state legislature is unwilling to act there will be no compact. With a proper and widespread understanding of the problems involved, however, on the part of public employees and state and local legislators, these difficulties should not prove too serious.

#### *Treatment of Employees under Retirement Programs*

A GROUP of employees now covered by a retirement system need not fear the extension to them of the basic social security coverage, since the present retirement system can

be modified so as to supplement the basic system and at the same time guarantee that the total protection is, in all cases, at least as great as at present. There is no need to set out a blueprint for this modification; no doubt the managers of each system will know best how to solve its problems. It is sufficient here to enumerate the basic elements of a plan such as is here contemplated.

A municipality that has a retirement system in operation to which, in addition to its own contributions, it requires its employees to contribute 5 per cent of their salaries may be taken as an example. From the moment the federal-state compact covering the municipality goes into effect, the first 2 per cent of the payroll tax (assuming that rate, scheduled to go into effect in 1951, is already operative) will be diverted to the federal government. The remainder, plus as much as the municipality is willing to contribute over and above the social security tax which it must pay as employer, plus the entire reserve that has accumulated in the former retirement system, will be used to finance a new retirement system on as sound an actuarial basis as the old. The new system will, of course, be continuous with the old. It will observe the basic objective of public retirement systems, namely, encouraging and rewarding the continuous employment of career public servants. Its benefits will be in proportion to earnings and length of service (a smaller proportion than was allowed under the old system, naturally) and will be used to supplement the basic social security benefits payable by the federal government, as is done in staff-pension plans in private industry. Where service is insufficient to qualify for a retirement benefit, contributions (exclusive of the social security tax) will be returned. Similarly, in case of death, contributions in excess of the social security tax, plus anything the municipality cares to add, will be returned to the survivors to supplement the basic survivor benefits payable under the general program.

As a matter of equity, of course, the benefit formula used to compute retirement benefits will give proportionately greater weight to service prior to the effective date of the compact, when the entire 5 per cent tax went to build up retirement credits, than it will to



service thereafter. When the employee tax under the Social Security Act is increased to 2.5 per cent in 1960, a corresponding increase will have to be made in the employee's and the municipality's contribution, unless the latter wishes to absorb the employee's share, or a further modification will have to be made in the retirement benefit formula.

Because social security benefits under the federal program represent, in the aggregate, a relatively greater "bargain" per dollar of contribution than benefits under a typical actuarially financed public retirement system, the basic benefits plus the supplementary benefits under the new formula will, in the aggregate, exceed the benefits payable under the old formula. The same will be true, with few exceptions, in each individual case of retirement at age 65 or later. Where it is not true, the employee will be protected by a guarantee written into the new retirement law that, in any event, the retirement benefit will be no less than the difference between the benefit that would have been payable under the old formula and the basic social security benefit. In case retirement before age 65 is permitted under the municipal plan, the employee cannot, unless he is totally and permanently disabled, count on a basic benefit. His retirement allowance from the municipality will therefore be computed under the old formula in order that the guarantee can be made good. At age 65, or earlier if he becomes eligible for a disability benefit, his retirement allowance will be recomputed under the new formula, since, with the addition of the benefits payable under the federal program, it will probably exceed the allowance previously awarded. In the rare case in which the sum of the two benefits does not exceed the original award, the award will continue in effect. An increase is still possible, however, when the basic benefit due the employee is increased because of his wife's attainment of age 65. It need hardly be mentioned that the payment of dual benefits under an integrated program, as here described, does not do violence to the principles of social insurance as do dual benefits under the separate programs now in existence.

A plan of this type requires efficient cooperation between the municipal government and

the Social Security Administration. Such cooperation, for which, of course, careful preliminary planning is necessary, should present no administrative problem so serious as to offset even a fraction of the advantages to be gained. The industry-wide retirement program for men's clothing workers, for example, under which retired employees receive a supplementary benefit equal to the basic social security benefit, requires the same kind of cooperation and has been functioning, apparently successfully, for about five years. A more complicated type of coordination involving the Railroad Retirement Board, which administers a social insurance program for railroad workers, has also been in operation for the past three years. Similarly, an interchange of information between the staff-pension plan and the Social Security Administration will be necessary under the agreements recently negotiated in the automobile and steel industries.

#### *Federal Employment*

MUCH of what has been said with regard to state and local employees applies also to federal employees. A sizable number of federal employees—perhaps a few hundred thousand—have no retirement protection. About 100,000 of them will be covered automatically by H.R. 6000; the rest of those unprotected, largely temporary and emergency employees, will remain so. The bulk of federal employees, almost 2,000,000 of them, are covered under about twenty separate retirement systems, of which the only one of real consequence is that provided by the Civil Service Retirement Act. They will not be affected by H.R. 6000.

The civil service system, while considerably better than almost any of the state and municipal systems, has some of their inadequacies. Retirement benefits under it are fairly liberal for the career employee, but rather inadequate for the man who retires on less than, say, fifteen years of service. Disability annuities are payable after only five years of service, but, like age annuities, are in proportion to length of service and therefore small for the employee who becomes disabled at a relatively young age. Survivor annuities are payable to widows and children—an improvement over most public plans—but suffer from the same defect; a

\$3,000-a-year employee with a wife and one child who dies after five years of service, the minimum needed to qualify, leaves them with benefits totaling a mere \$17 a month. Disability and survivor benefits, moreover, are available only to employees in active service. The employee who becomes disabled the day after resigning from his government job has no disability protection, and the employee who dies the day after resigning leaves his survivors with only a lump-sum refund of his contributions, no matter how long his service period. As in the case of other public employment, the man who quits private industry to enter federal service loses part or all of the protection he has built up under the old-age and survivors insurance program. The man who quits federal employment to enter private industry receives no wage credits for the former in the determination of his social security benefits. He must wait five years (under the terms of H.R. 6000) before he acquires protection against death or disability, and even then is

at a disadvantage as compared with others who have been under social security coverage all along.

There appear to be no special administrative or legal difficulties which would prevent the extension of coverage to federal employees. The only real obstacle is apparently the general impression that they are already adequately protected and that any attempt to cover them under the general program would disturb their present systems and the rights they have accumulated under them. This obstacle, while serious, can be overcome through education. There is no reason why a satisfactory and technically adequate plan cannot be worked out that will extend the basic protection to all federal employees and at the same time adjust the existing federal retirement systems so that they provide supplementary benefits to career employees. No federal employee need suffer any diminution of total benefit rights by such coordination; most should gain by it.

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18. None of our witnesses have argued that Civil Service salaries should be related to the highest individual salaries that can be attained in the most highly competitive professional and commercial posts, and we are satisfied that they should not be so related. The Civil Service is and will remain a service, in which dazzling individual rewards are inappropriate. The civil servant does not have to assume the individual and financial risks that arise in commerce and in industry. The constitutional responsibility for his decisions rests with Ministers. On the other hand, undue importance should not be attached to this, as it is more than counterbalanced by the great weight of responsibility arising from the vital and urgent public interests which are continuously dependent upon the work of senior civil servants. The heaviest jobs in the other professions and in commerce and industry are not more exacting than those undertaken by senior civil servants.

20. . . . we think that higher Civil Service salaries should not be determined on a purely competitive basis. They should not, however, be at a level which gives senior civil servants a markedly lower standard of living than those of comparable status in other employments; and this, we feel, is what has been happening in recent years. The top ranks of industry and commerce are not uncommonly in receipt of salaries more than double those paid to Permanent Secretaries, and they sometimes enjoy also other advantages which enlarge the difference.—*Report of the Committee on Higher Civil Service Remuneration*, Cmd. 7635 (H. M. Stationery Office, 1949), pp. 5-6.

# Apologia Pro Vita Sua

By A GOVERNMENT EMPLOYEE

EVERYONE who works for the government feels himself compelled by social pressures in the typical American community occasionally to offer an apology for his life, and as a part of that process to answer such questions as "Tell me, just what it is you do."

The answer to this question has perplexed the writer and he has given considerable thought to it at odd times. The following represents his efforts to formulate an answer that will describe his function in the government in terms that will be comprehensible to a "practical" man. Naturally, the answer is not as uncomplicated as the question. In brief, he would describe his job as that of combined administrative mechanic and ammunition passer.

The last fifteen years of his life have been spent crawling through the federal government's vast and complex administrative machinery. There are some curious and ingenious compressors operating in the southwest corner of the third sub-basement which were not described in any of the high school civics textbooks that he studied. If they had been, he would probably have gotten into government work even earlier than he did. Most of these fifteen years have been in the executive branch of the federal government, with a short stint in the legislative branch assigned to the staff of a House committee.

Some of this experience was with federal machinery operating at the local level, where one actually saw the product come out—where one felt and saw the machinery working and was in a position to observe its effectiveness in terms of what it was designed to do. Except for remuneration, this was the most satisfactory kind of experience. Some of this experience was in a federal program at the state level, where the task was chiefly that of synchronizing two machines. Most of it has been

in Washington, in four major agencies, two of them with hundreds of field installations.

During such a term of apprenticeship one learns that a good administrative mechanic must use *all* his senses and that putting experience to use is not a rational process. The smell of burning oil from a hot bearing, the sight of reciprocating parts battering themselves to pieces through lack of proper timing, the acrid taste of spilled battery fluid, the uneven and irregular feel of vibration caused by faulty firing, the sound of a chipped gear, with their infinite permutations and manifestations, are all soaked up by a good mechanic and stored away for future reference. As the storage bins fill up, reference to them for testing purposes becomes almost an intuitive process and resultant action is difficult to define as rational, yet more often than not it makes good administrative sense.

The amount of effort and time which an administrative mechanic devotes to detecting a rough pinion gear or a shaft with too much end play is a fair index of his skill. The next best index is the amount of time and effort he requires to remedy the trouble. But the best index is how long the machine stays fixed. A competent administrative mechanic will do the best he can with the available tools in the time available, and the fact that he is constantly replacing burned bearings may in some part be due to lack of time. That is, he must spend so much time on replacement that there is never time for adequate maintenance or for oiling the bearings that already show signs of smoke.

Yet, familiarity with the mechanical aspects of the administrative machine is not the only desirable attribute of an administrative mechanic. So far as time and opportunity permit, he must become familiar with other mechanics and with various sorts of engine tenders, oilers, firemen, and wipers, and come to

some opinion of their sometimes highly specific and particular skills, their judgment, their workmanship, and their devotion to the end product of the machine.

For example, there was the acquaintance-ship the writer struck up, during his walks to and from work, with a little blue-shirted fellow who was out every morning at 8:30 sweeping the sidewalk in front of the White House. One morning he made some facetious reference to the large area of walks still ahead of the sweeper. The answer, accompanied by a grin, was: "Don't worry, I'll have 'em slicked up pretty fast. Got to keep 'em clean." Then, in a serious vein, with a meaningful look and a hint of pride in his voice, he added, "It's *his* house, you know."

The closer one moves to the control room, the more advantageous it is to know a few people down in the works who have such motivations. When administrative miracles are called for, little fellows like this can sometimes coax such prodigious performance out of the machine that it causes even agency heads to shake their own in amazement.

As in the operation of any complex machine, the interaction between the government machine and its operators is a subtle, but considerable, factor. Generally, a loose boiler tender can raise more hob with the administrative machinery than could possibly result from a loose shaft. In such a situation, an administrative mechanic should proceed cautiously in taking remedial action, else he will run afoul of those white-collar technicians who have staked out a claim to competence in any matter affecting boiler tenders as persons. According to the doctrine pure and undefiled, a boiler tender is not the concern of the administrative mechanic, but is in a separate and aseptic compartment labeled "Personnel." However, a good administrative mechanic will not hesitate to ignore the doctrine in the interests of keeping the machine going. He can do this very effectively by avoiding any implication that his actions are "official." The personnelists are curiously averse to the pragmatic approach, perhaps because their entire working day is spent among papers and promulgated rules. An administrative mechanic can often take care of the loose boiler tender and keep the machine run-

ning by taking some sort of "informal" action. This occasionally leaves a bit of a mess, but it can be cleaned up "under the rules" and is vastly preferable to observing the rules and bringing the machine to a complete stop.

Now as to the ammunition handler part of the job.

Most males have an understandable itch to pull the trigger on a gun. Somewhat fewer prefer to point it, fewer, still, like to load it, and most have no interest at all in the prosaic task of ammunition handling. For a certain perverse few, however, that task has a fascination that overshadows all the other steps required in laying a projectile on a target. In the first place, it is generally a challenge to find ammunition with the highly specific characteristics required. This factor of choice is not a rational process. It requires a "feel" for casing, projectile, and powder, so that those responsible for policy can bring the big guns effectively on the target.

For those few who like ammunition handling there is no greater satisfaction in the hold than to feel the shock and concussion of a well prepared charge and to get word from the bridge that the projectile has gone home with the desired effect. Although those on the bridge would be averse to admitting it, in a large proportion of shots the ammunition handlers have the exquisite but concealed satisfaction of deciding between a contact fuse and a time fuse. Time fuses are the most fun, for they permit the handler to scramble out on deck in time to see the explosion. The pleasure becomes almost excruciating when he sees the fire director, who has come to the conclusion that the charge is a dud and has disgustedly turned away, suddenly wheel and grin at the sound of the delayed explosion.

Sometimes when the handler has lavished weeks and weeks of time on a tailor-made job, he is even invited to come on the bridge to observe the results of his handiwork. This may be decidedly stimulating, but it can also turn out to be embarrassing if his pride and joy misfires, screams off at an angle, and fizzles out far off the target. Under such circumstances, he can only hope that the fire director will glance over his hit-or-miss average for the

year before delivering himself of his judgment on the particular job.

But most of the time it is most comfortable down in the hold, behind the bulkheads, especially when one's own ship is taking hits which are making a shambles of the bridge. Only then does one appreciate, and truly comprehend, that passion for anonymity that people talk about.

The writer has always classified himself in the Crafts, Protective, and Custodial service

as the one proper for mechanics and handlers, although the personnelists have insisted that he is in the Clerical, Administrative, and Fiscal Service (now a part of the General Schedule). He has found that by belonging, spiritually at least, to the CPC, he has had a very wholesome occupational orientation and reference point which has served to offset the stuffiness that has often been found in the CAF and, more especially, the Professional Services.

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37. In the course of our enquiry we have endeavoured always to relate our recommendations to certain principles which we think should be generally acceptable. There are two such principles which we think vital, the first of which tells in favour of the removal of restrictions on civil servants' political activities, the second in favour of their retention. . . .

(i) In a democratic society it is desirable for all citizens to have a voice in the affairs of the State and for as many as possible to play an active part in public life.

(ii) The public interest demands the maintenance of political impartiality in the Civil Service and of confidence in that impartiality as an essential part of the structure of Government in this country.

39. . . . The Administrative civil servant voluntarily enters a profession in which his service to the public will take a nonpolitical form. It will consist in the wise and accurate estimation of the reasons for and against a particular course of action, formulated not for the purpose of influencing the public mind, but for the benefit of those who actually have to take decisions. The deliberate choice of a profession in which he knows that his service to the public will take this form gives a bent to the mind. It is very unlikely that a civil servant formed by years of training and the exercise of administrative functions would hold clear-cut party views in the sense of being a consistent supporter of the entire programme of one party, even if on the whole his sympathies lay with it.

40. This impartiality is never questioned by Ministers, by the public, or by other civil servants. In present conditions a Minister coming into a Department is able to rely on entirely loyal service to his ideas from all civil servants alike. . . .

48. Our general conclusion is that to preserve the attitude of detachment in all civil servants in whom its absence might adversely affect the public service is so important as easily to outweigh any hardship felt by individuals who are deprived of the freedom to propagate political views among their fellow citizens. It will certainly justify maintaining the deprivation in some cases in which the risk is only slight. The public service should, in our view, consistently be given the benefit of any doubt. . . . — *Report of the Committee on the Political Activities of Civil Servants*, Cmd. 7718 (H. M. Stationery Office, 1949), pp. 13, 14-15, 18.



# Reviews of Books and Documents

## Allocation of Financial Resources

By Weldon Cooper, The University of Virginia

COMMUNAL AUTONOMY: SYNTHESIS OF THE REPORTS PRESENTED TO THE PARIS CONGRESS (July, 1947), International Union of Local Authorities, *Local Government Administration*, Vol. 30, Document 289, August, 1948. Pp. 31.

DIVISION OF WORK BETWEEN THE CENTRAL AND LOCAL GOVERNMENTS AND RULES FOR GRANTS-IN-AID TO LOCAL GOVERNMENTS IN NORWAY, SWEDEN, ENGLAND AND WALES, AND HOLLAND, by Kjeld Philip (translated from the Danish by Kamma Ipsen; edited by Priscilla M. Greeley). Bureau for Research in Municipal Government, Harvard Graduate School of Public Administration, February, 1948. Pp. 63.

### I

IT HAS not been many years since the study of intergovernmental relations in the United States was limited almost wholly to academicians. Like many other matters which formerly concerned the academicians alone, however, problems of intergovernmental relations, and particularly those aspects relating to finance, have become of increasing concern to chief executives, legislators, and public administrators charged with finding ways and means to finance the governments of the United States, the states, and the localities. The establishment of a more orderly scheme of intergovernmental relations has become a matter of high priority in many circles.

This high priority may be indicated by a few examples. One of the most important is the report of the Committee on State-Local Relations of the Council of State Governments.<sup>1</sup> Another significant inquiry is under way at the University of Minnesota under the

direction of Professor William Anderson who has reached the point in his survey of intergovernmental relations where monographs containing some of the results will shortly be forthcoming.

One of the latest of many examples of interest at the national level is found in the proposed legislation introduced in 1949 calling for the creation of a national commission on intergovernmental relations. The duties proposed for such a commission in one of these bills are instructive:

Sec. 3. (a) It shall be the duty of the Commission—  
(1) to make a thorough and complete study of (A) the past and present relations between the National, State, and local governments of the United States; (B) the past and present allocation of governmental functions and powers among the National, State, and local governments in the United States and (C) in the case of governmental functions and powers exercised by two or more such governments, the distribution of jurisdiction over such functions exercised by each such government; and

(2) to submit its recommendations as to the most desirable future allocation of governmental functions and powers among the National, State, and local governments of the United States and as to the means of effecting such allocation; and, in the case of a function or power appropriately allocated to two or more governments, the most desirable distribution of jurisdiction over such function or power among the governments.

(b) The Commission shall make a report of its findings and recommendations to the Congress on February 1 of each year and at such other times as it deems advisable.<sup>2</sup>

Less well known, but showing the same de-

<sup>1</sup> *National Commission on Intergovernmental Relations*, Joint Hearings before the Subcommittees on Intergovernmental Relations of the Committee on Expenditures in the Executive Departments, Senate of the United States and House of Representatives (81st Cong., 1st sess., 1949), p. 3.

<sup>2</sup> *State-Local Relations*. Council of State Governments, 1946.

gree of priority at the state level, are the numerous state tax study commissions which have been at work since the end of the war. These commissions are generally assigned the task of conducting a detailed examination of the state and local revenue and expenditure systems with a view to the establishment of more equitable financial relations between the state and the localities and the possible utilization of the state's superior taxing power in bringing some relief to the localities. The work of the Moore Commission of New York State is more widely known than that of other commissions, but it is only one of many.

The dilemma which faces such tax study commissions may be illustrated by citing a single example from the experience of a recent commission. Early in its study, this particular commission discovered the familiar pattern of state centralization. On this commission were a number of men who in past years had been eloquent in their vocal defense of local self-government and who decried the trends toward state centralization. Accordingly, early in its deliberations the commission laid down the general principle that certain functions supported in varying degrees jointly by the state and the localities were first a local responsibility. Under this principle the state would enter into the picture primarily in an inspecting, standard-setting, examining capacity, and would provide state aid only where local tax ability and effort were not sufficient to meet the needs of particular localities measured in terms of the minimum standards prescribed by the state. This was all well until the effects of the application of the principle to the individual localities were discovered. Since the existing grant-in-aid system in the state was based almost wholly on need, with little or no emphasis on ability and effort, the result of the adoption of the new plan would have meant that some communities more fortunate in terms of tax resources than their sister localities but less willing to exploit those resources would have lost in the distribution of funds to localities that had fewer tax resources but had been more vigorous in their use. After this discovery, no further serious attention was devoted to a shift to equalization as the sole basis for the state grant-in-aid systems. The members believed there was no

chance of getting through the legislature a measure which would "take something away" from some localities. A set of state-local fiscal relationships had developed which not only resisted change but which in its future application would probably lead to less rather than more local autonomy.

## II

IF WE tend to think that the problems arising out of central-local governmental relations are indigenous to this country, our minds can be set at rest by an examination of two recent reports on this same problem in European countries. *Communal Autonomy* is a synthesis of the reports presented by the various delegations to the Paris Congress of the International Union of Local Authorities in July, 1947. In attendance at this meeting were representatives from seventeen countries, mostly European, who presented reports on the status of local governmental autonomy in their respective countries. The second report, written by Kjeld Philip, is a translation of a report submitted by the author to the Danish Taxation Commission of 1947. It deals with the grant-in-aid systems in effect in the Scandinavian countries (except Denmark), Holland, and England and Wales. These two reports in many respects complement each other. *Communal Autonomy* is an overview of state-local relations primarily in Europe and the United States, while Philip's study is a detailed description of the grant-in-aid systems in effect in specific countries.

Any attempt to synthesize the synthesis of the reports of the delegations in *Communal Autonomy* would be futile. No more can be done, therefore, than to attempt to discover the points made in defense of local self-government or autonomy and to appraise the status of that autonomy. These items are considered in the first part of the report. The second part, which is concerned with the organization for local government in the several countries, is not considered here.

Defense of local autonomy, in contrast with complete centralization, is voiced early in *Communal Autonomy*. This defense will be familiar to students of American local government:

It can thus be concluded that the notion of local

autonomy is founded upon the clear conception that in order to regulate to the best advantage of the interests of a particular local group those problems which specially concern that group, only a body directly originating from the community and in constant touch with it will be able to understand the situation in all its details and take judicious and appropriate decisions.

Local government alone is able to operate local measures to the best advantage and in addition it will be the best organisation to apply the general decisions of the State, which require the taking into account of local circumstances.

Consequently, local government appears in the highest degree to be the proper legislative body for purely local questions and also the executive organ for the application of general laws. (p. 3)

The report also gives local autonomy an important place in the support of democratic government. In concluding the consideration of centralization and autonomy, the report states:

Whenever an anti-democratic government is installed, it devotes itself to the destruction of municipal autonomy, and every time also the most difficult enemy to be conquered by a tyrannical government has been the local communes which are jealous of their autonomy.

By its very nature, the system of anti-democratic government involves the police state and excessive centralisation.

The strengthening of the status of the local authorities and of their autonomy without doubt provides the best barrier against tyranny, for a people which has educated itself by direct government through its local communities will be a difficult one upon which to impose the laws of a dictatorship. (p. 22)

Perhaps the core of the report is found in the two sections devoted to the means for arresting the movement towards centralization and for reducing the obstacles to local autonomy. In reducing the movement toward centralization, the principal obstacles to be overcome are the overwhelming interest of the citizen in the central government as against the local community and the claim that the central government, because of its superior financial and personnel resources, can do a better job.

Civic education appears to be the answer to the problem of securing increased interest in local affairs. "Local authorities must bring to

the notice of the citizens the activities of the local authorities, and stress the part which they can take in those activities. The local authorities must make themselves known to the individual, interest him in municipal activity, and seek his active cooperation in the betterment of the locality."

Great difficulty is admitted in countering the results of the technical superiority of the higher unit. Local authorities will have to demonstrate that they can act as well as, or better than, the central administration in many fields. It is recognized that certain functions which were formerly local cannot now be successfully administered by the individual local authority because of technical and financial incapacities. The remedy proposed is the association of the local authorities in joint undertakings that will pool their resources and provide an organization sufficiently strong to make unnecessary direct state action.

The principal obstacles to local autonomy are in the administrative field, through restrictive state controls over the many tasks placed upon local authorities by the state, and in the financial field, where the lack of sufficient revenue makes it necessary to seek grants from the state which in turn bring state control. A closer examination of the methods proposed for lessening centralization show that the difficulties are primarily financial.

In those instances where the function to be performed is "really not of a local character" the block grant is proposed:

... the State should suitably reimburse the municipalities and give them the necessary financial means for carrying out these tasks by a block grant sufficiently large to cover the expenditure which is involved, and even further if the municipality runs the service with particular efficiency it should be able to utilise the saving in the grant for other purposes. This would be a great stimulus to efficiency, and the State itself could undoubtedly find interesting suggestions in the methods employed by the local authorities to reduce the expenses of any particular service. The municipalities which for a long time have often faced a difficult financial situation, and which also have displayed administrative flexibility, will certainly find ingenious methods of economy if they are allowed to retain the saving thus obtained for other purposes. It goes without saying, of course, that the local authority could not, however, neglect the execution of the task

which has been entrusted to it under the pretext of economy (pp.17-18).

The most important single impediment, however, is the inadequate financial resources of the locality when matched against the functions to be performed. No general solution is possible because of variations in financial practices among the states represented. Three alternatives are suggested. One of these would give the local authorities new sources of taxation. A second would restrict new taxation but would give the localities a greater share of the proceeds from the taxes now levied by the central government. A third would involve block grants to the localities or the creation of a national fund to be distributed among the local authorities.

The report of Kjeld Philip is a workman-like description and analysis—as all staff research reports should be! Following a brief description of the system of local government in the several countries and the development and current status of centralization, the report proceeds to an examination of the grant-in-aid system for the general functions of local government and for certain special programs, such as schools, roads, hospitals, and old-age assistance. Not only are the types of grants-in-aid described and their results analyzed, but an informative discussion (pp. 11-14) is devoted to the motives which have impelled the establishment of each system.

One of the most important motives Philip discovered was that of equalization, a problem which has plagued American states for a good many years. The purpose of equalization is to establish in the grant-in-aid formula factors which will take into account effort and ability, as well as need, in apportioning funds from a higher to a lower level of government. Of possible use to American state tax study commissions which are dealing with equalization is the experience of Sweden which has made a beginning in the distribution of grants-in-aid to localities based on the level of wealth of a particular community as measured by the income per citizen. The basis for this proposal is that local taxation for the support of certain programs jointly financed should be felt equally in all communities, poor or rich. A necessary factor in this grant-

in-aid system is the establishment of a unit of calculated cost. Thus, in Sweden, a single unit cost for a school lunch is set for the entire country. If the local government pays more than the unit cost the excess cost comes out of its own funds. If the calculated cost is placed at the proper level, this policy serves as a strong inducement to the local unit to use efficient methods.

An especially useful section of the report is devoted to the block grant system in use in England and Wales, which was established as a result of the "derating" feature of the Local Government Act of 1929. As a result of derating, which reduced sharply the revenue of local government units from the tax on rents or rental values, the single source of locally raised tax revenue, it was provided that the localities should be reimbursed by block grants out of the national treasury. The formula employed had equalization as one of its principal features. Philip concludes that this plan, in terms of securing the desired equalization, is "one of the most original, one of the most comprehensive, and particularly, one of the most successful undertakings of this sort. . . ."

There is much in both these reports which makes familiar reading to students and practitioners of local government on this side of the Atlantic. The philosophical justification for a considerable degree of local self-government is a permanent feature of the literature in this country. The financial straits in which European communities find themselves, a condition which the late war vastly accelerated but did not create, could be duplicated by any reader out of the latest copy of his daily newspaper. On the other hand, there is the search for different systems of central government grants-in-aid which will make the local community something more than the recipient of a handout without reference to its activities on its own behalf. Far more dissatisfaction with the "matching" type of grant-in-aid appears to be voiced there than in this country. By and large, much more effort is being centered on finding methods of stimulating localities to bring into play their own initiative in the conduct of the jointly financed programs.

## III

IF ONE may return briefly to these shores, he might complain that we do not yet have the basis for the establishment of an intergovernmental fiscal plan. As *State-Local Relations* made clear, if it needed to be made clear, the legal mold in which the pattern of federal-state-local relationships has traditionally been cast in this country has long since been broken. In this connection, some welcome advice comes from William Anderson in his comments on the proposal to establish a commission on intergovernmental relations. Professor Anderson expresses the hope that

... the Commission will realize that the fiscal problem, urgent as it is, is only one phase of a complex group of inter-related problems. The need for better arrangement of financial resources, both taxes and grants-in-aid, might well be the main theme of the practical recommendations that are to follow from the study, but those needs can be met most wisely only after a much wider study of the functional, administrative, political, and essentially human relations that are involved.<sup>3</sup>

In a companion statement, Luther Gulick goes to the core of the problem:

The Government of the American people is a Federal system in truth, a system made up of National, State, and local agencies which have, and must continue to possess, a real freedom to act especially in the realm of finance. With such freedom, conflict and competition cannot be prevented by constitutional fiat or by any overriding administrative control, because such control is inescapably and inherently incompatible with the principle of freedom within a Federal system. Therefore there are but two roads to tax and budget coordination: forbearance, based on knowledge and good will; and mutual agreement, based on compromise and accommodation. While such forbearance and agreement can arise spontaneously, it is hard to conceive

that there can be for them a solid foundation except as we create a permanent intergovernmental agency designed to lay the foundations of mutual understanding and agreed action, and which will be consulted by the Congress and by the State legislature, by the President and by the governors before action is taken on taxes and other intergovernmental payments. It is this line of reasoning which has persuaded me that we must create a Federal-State-local Commission on Intergovernmental Relations as a permanent addition to the American system of government.<sup>4</sup>

To these comments may be added a single observation. Is it possible to establish a more desirable system of federal-state-local fiscal relationships without at the same time reaching some preliminary conclusions as to the allocation of responsibility for particular functions among one or more of these levels? At the present time, as everyone knows, the allocation of functions is done singly and with reference to particular conditions which seem to demand immediate action at the time. It is true that we have plans for individual programs. But this is one case where adding up the individual items does not produce the total. It is unlikely that we shall be able to approach a workable intergovernmental fiscal plan for revenues and expenditures until we have not only staked out the basic pattern of functional allocation but have also made provision for the flexibility that must be present if the necessary realignments and adjustments in individual programs caused by changing conditions are to be made. If we are to have a permanent federal agency to deal with intergovernmental relations, it cannot proceed far without coming to grips with the division of work among the three levels of government, as seems to be clear to some of the drafters of proposed national legislation.

<sup>3</sup> *Ibid.*, p. 119.

<sup>4</sup> *Ibid.*, p. 185.



## Grass Roots Democracy—Myth or Reality?

By R. G. Tugwell and E. C. Banfield, University of Chicago

TVA AND THE GRASS ROOTS, A STUDY IN THE SOCIOLOGY OF FORMAL ORGANIZATION, by PHILIP SELZNICK. University of California Press, 1949. Pp. viii, 274. \$3.75.

### I

ONE day in the early fall of 1933 the members of the newly organized Tennessee Valley Authority called on the senior author of this review in his office at the Department of Agriculture. There ensued a conversation concerning the nature of the Authority they were called on to manage. As a matter of fact they came to ask a series of questions that could not be answered. They began by asking—A. E. Morgan, being the chairman, actually did the talking—whether, in the opinion of one who might possibly know the President's views, they were supposed to be a government, a planning and coordinating agency, or a public corporation devoted to certain specific tasks. They were, it soon became clear, inquiring in this way because they had not been able to get any answers from President Roosevelt and because they thought someone else might tell them what was in his mind. They had got no enlightenment from him, perhaps because he had not taken the trouble to think out the implications of a valley authority or perhaps because he thought that if he started the thing and gave it institutional shape he could find people who would fight for it and bring it to life. And perhaps he felt that this was all that could ever be done and that previous definition might easily be too clear and specific. There might, if everything was laid out too plainly, be some backtracking to do.

That this was a difficult situation for the three commissioners was easy to see, but one could neither tell them that they were the victims of an ill-considered idea nor that they might be the expendable personalities in a presidential experiment. So they got no satisfaction out of their visit. The Assistant Secretary of Agriculture probably expressed some thoughts of his own, and if he did it is to be hoped that he labeled them carefully as such, because in such cases as these no one at all

was allowed to know what was going on in the President's mind. If you took one of these jobs, you went out and did what you could to establish an institution in whose purpose you presumably believed. If you got into trouble with vested interests, ran counter to the purposes of other, competing institutions, or threatened someone else's privileges or prestige, it was your battle and you were expected to fight it. If you ran to the President with your troubles he was affable and even, sometimes, vaguely encouraging, but he never said a public word in support. If the thing was creditable he, along with you, profited; but if it was not, the penalties were all your own.

If this made you indignant, and it practically always did, there was nothing you could do and, when you thought it over, nothing of any use that you could say. The President was not a person; he was an institution. When he took political chances, he jeopardized not himself but the whole New Deal. And the New Deal could not afford to be responsible for practitioners who threatened its life—that is, who might lose it votes. Principles or persons were never important enough to stake election success or failure on. And judgment as to whether votes were actually involved was one which the President made in the recesses of his own considering apparatus which no one ever penetrated.<sup>1</sup>

The result of this was a long list of casualties—institutions begun and then abolished or transformed, people appointed and started

<sup>1</sup> Perhaps the shrewdest observer, and certainly the most articulate one, who haunted the White House for an extended period during President Roosevelt's time was Robert E. Sherwood. His *Roosevelt and Hopkins* reduces all the other published commentaries to a level which may variously be described as superficial, amateurish, sentimental, or self-interested, but hardly deserve to be regarded as serious analyses of a man wielding the great power of presidential office. It is of enormous interest that twice in his book Mr. Sherwood refers to President Roosevelt as an "artful dodger"—meaning that he consistently maneuvered so that he escaped commitment to politically doubtful positions even when they involved such matters as loyalty and consistency; and, of course, there were plenty to say that morality and integrity were sacrificed in this in-

on certain jobs, then abandoned to the enemies they had made. Mostly, being aware of their expendability when they thought it over, they resigned and disappeared from the Washington scene. Often they were gently eased into "foreign missions" or some other innocuous and distant posts.

There was no way of knowing it then, but these three callers were very diverse personalities. A. E. Morgan would prove to be one of the few embarrassing cases in which a man had to be turned out because he had got into trouble (by carrying out what he believed to be his duty or perhaps, even, his orders) and refused to get out in seemly silence. One of the others, in his different way would be exactly as loyal, but would be far more successful in adjusting to the situation as trouble blew up. The third would be the gentle but implacable representative of the trouble, who would never recognize any of the President's broad hints that an institutional novelty was being invented; who would, in fact, shape it toward accommodation of the forces and interests already present in the situation in such a way as gradually to render it harmless to them.

## II

THE visitors did not get what they came for, but they did get the ventured suggestion that the Authority might well approximate a new kind of government. As an historical matter it was not hard to see that the states had declined in importance as responsibilities had gravitated to Washington. This was because of the general increase in the scale of all kinds of administrative operations and the contraction of time and space. It was time, so it seemed to one who may have been somewhat innocent, that more logical administrative areas (but still short of the clumsiness of being nationwide) should be brought into being. There had, in the TVA legislation, been an obvious avoidance of the problems certain to arise in this respect. Some of them were mentioned by the newly appointed commissioners that afternoon. There were state departments of ag-

terest with equal lightness. But Mr. Sherwood understood, as not everyone did, that some extraordinary stretching of ordinary criteria were allowable to one who, whatever else he did, struggled valiantly and persistently for his conception of the national interest.

riculture and forestry, for instance; even at the beginning it could be seen that these organizations were going to provide formidable opposition. For they were closely related to a whole series of institutions which were vigorous because they were supported with federal funds—the land-grant colleges of agriculture, for instance, which included the state experiment stations and the agricultural extension services. And these rested on one of the strangest institutions in the whole administrative complex, the American Farm Bureau Federation, which was partly private and partly public. Some of its funds and much of its prestige came indirectly from the expenditure of federal funds through the state and county extension services, but it also had a paying membership which included many of the more prosperous farmers and a good many local businessmen. Locally its activities were directed toward assisting the Extension Service in the improvement of farming practices, but both locally and nationally its activities were also directed toward shaping agricultural policy in the direction most pleasing to its large-farmer constituency and to their ally, big business. It was, in fact, among other things, a lobby partly supported by the government itself.

This curious arrangement by which the government subsidized pressure on itself had established such strong defenses that no public official dared to raise any question as to its propriety. He knew that if he did he would be punished. Mr. H. A. Wallace was being pushed around by the Farm Bureau in the early days of the New Deal and it is no wonder that Mr. Lilienthal sought to come to terms with so strong a force, especially since it was represented by a fellow commissioner with whom it was convenient to make common cause against the chairman who was not so pliant and who took more seriously the fine words of the enabling act.

It might be argued that the outcome was inevitable—that, conceivably, is what Mr. Lilienthal would say. But there was other excuse if any were needed. For the Farm Bureau represented local interests, the most powerful local interests in the agricultural field, and so it could be spoken of and perhaps thought of as a grass-roots organization. All Americans have a weakness for local autonomy and a dis-

position to regard any intrusion from outside with resentment; the TVA, operating with a national charter and with its sole excuse for being that there existed a national interest in the rehabilitation of the valley, was sensitive to public criticism of this sort. It expected to be charged with arbitrariness, with "carpet-bagging," and with pushing people around. It was a purely defensive impulse which caused TVA to seek such allies as could be found in the area. But the Farm Bureau, also, was not merely local. It was decentralized and it had strong local views, but at the same time it was quite capable of registering disfavor in Washington when it might do the most harm. It demanded that TVA shape its policies to local preference and TVA did just that.

### III

MR. SELZNICK shows very effectively how damaging this was to the national interests which TVA should have pursued—how, for example, the TVA was led to break off relations with the only agency (the Farm Security Administration) which was devoted to the cause of the poorer farmers and the tenants in whom the Farm Bureau had no interest; how it happened that the TVA found no place in the fertilizer program for Negro agricultural colleges and no opportunity to increase the number of Negroes on the staff of the extension program; how it came to oppose the entry of the Soil Conservation Service into the valley; how it was brought to abandon the early program for public ownership and control of submarginal land; how it was led finally to reverse its policy so that it did not even acquire a protective strip around its reservoirs; how it came to oppose and to seek to discredit the national wildlife conservation policy; how it came to jettison its early policy of educational and other assistance for cooperatives; in short, how (although Mr. Selznick comes to no such sweeping conclusion as this) it was led to trade away the birthright given to it by the President and the Congress.

If it were true that local interests are always right, this would not be an unfortunate conclusion. But here is surely a clear instance of shortsightedness, of wrongheadedness, and of putting local interests far, far ahead of national ones. As it turned out it is pretty easy

to see that while democracy, as represented by the demands of local interests, had its way, democracy by a wider definition retreated until it became invisible before the pressures of vested interests. TVA is more an example of democracy in retreat than democracy on the march.

That there was not the expected national advantage from TVA did not escape notice, although liberals were always more or less confused about the main issue and afraid to question any development of policy for fear of assisting the private power companies. For what was traded for democracy in the valley was support of a sort for the power program. This was an important objective and, if the trade was really necessary, perhaps worth the sacrifice. This might have been a reason for abandoning the rest of the program. And no one can prove that the necessity did not exist and that personal ambitions, organizational defensiveness, and sheer muddle-headed thinking were much more really the reasons for retreat.

These have often been suggested as the defeating forces. Yet one should put very high in the list of reasons the lack of support by the President for the policies represented by A. E. Morgan. That these policies were the very ones which led the President to initiate the "experiment" the senior author of this review can himself testify. It is true that Mr. Roosevelt had an old interest in public power, but this was only part of a broad conservation concept which ran beyond local or state powers and reached out toward the conservation of people as well as water, soil, forests, and grass. Why a *regional* organization? Because, obviously, he thought the states incompetent to reach the necessary objectives. Why an *authority*? Because, obviously, he conceived that there must be power to discipline exploiters, to channel national forces into one rehabilitation program, to visualize all the resources of the area and shape them into one organic, functioning whole.

It was merely being logical, even if offhand, to say to the visiting commissioners that it seemed as if TVA must approximate a government and perhaps in important matters supersede the states. Such a conclusion was obviously deducible from the title of the organization even if the brave words of the Pres-

ident's message and of the act itself were not recalled.

And it was not a mistake to think that the states were obsolete and ought to be superseded by regions; the mistake was in thinking that it would be the policy of President Roosevelt to enhance the federal power (of which he was talking a good deal in those days of crisis) at the expense of that of the states. He seemed to conclude finally that both powers could be enhanced at the same time. But no one could have concluded that from the NRA or the AAA. These were national organizations to meet national needs and they completely ignored the states. The evidence that he still clung to the Brandeis-Frankfurter view was not supplied until there occurred the intra-administration struggle within the Committee on Social Security. In this struggle Harry Hopkins and the writer put up what seemed to them to be a sound argument against decentralization to the states. Miss Perkins' advisers were determined to use the social security system to bolster up the states. This appeared to be so costly an undertaking that it might jeopardize the system and, anyway, it would artificially interrupt the natural desuetude of the states. On an historic occasion Mr. Hopkins and the writer asked the President if it was wrong to go on objecting. The answer was not clear; but it was plain that the objections were not going to win his support. The objectors then withdrew from the committee and from then on neither had any contact with the formulation of the report, the shaping of the law, or its subsequent administration. Both regarded it as perhaps their worst defeat.

But the passage of the Social Security Act also can be seen to have helped in the defeat of A. E. Morgan and what he stood for even though this was strictly the original intention behind the Authority. The passage of the act made Mr. Morgan's position untenable and strengthened that of Mr. Lilienthal and Mr. H. A. Morgan. From 1936 on the TVA should have been called the Tennessee Valley Power Production and Flood Control Corporation. That is what it became as a result of Mr. Lilienthal's opposition-conscious policies and Mr. H. A. Morgan's responsiveness to the local interests and the state agricultural hierarchy. It

remains that today despite the vast quantities of fertilizer it has caused to be distributed and the notable amount of reforestation it has brought about. TVA has perhaps done what Congress expected of it, but it is unfortunate that people insist on believing that it is what President Roosevelt said long ago it was going to be. Such conceptions die hard.<sup>2</sup>

We think it can be said, so far as anything of the sort can be said, that the series of decisions which changed the fundamental character of the Authority to accord with the desires of the local agricultural group ran not only against the interest but also against the expressed wishes of the American people. It is therefore an expression of the weakness of our ways of making democracy effective. This book by Mr. Selznick is valuable not because it exposes the weaknesses of the individuals involved but because it analyzes the process by which decisions can be made which reverse the original intentions and that without penalty.

#### IV

MR. SELZNICK has a name for the process by which the power to decide comes to be shared with outsiders, even hostile ones. He calls it "cooptation." The grass-roots approach, he says, is really a "protective ideology" which serves the purpose of concealing cooptation—"the process of absorbing new elements into the leadership or policy-determining structure of an organization as a means of averting threats to its stability or existence." (p. 13)

There are two forms of the grass-roots ap-

"It is clear," President Roosevelt said in his message requesting the legislation, "that the Muscles Shoals development is but a small part of the potential public usefulness of the entire Tennessee River. Such use, if envisioned in its entirety, transcends mere power development; it enters the wide fields of flood control, soil erosion, afforestation, elimination from agricultural use of marginal lands, and distribution and diversification of industry. In short, this power development of war days leads logically to national planning for a complete river watershed involving many States and the future lives and welfare of millions. . . ." He went on to speak of "legislation to create a Tennessee Valley Authority, a corporation clothed with the power of Government but possessed of the flexibility and initiative of a private enterprise. . . ." (*The Public Papers and Addresses of Franklin D. Roosevelt*, II, 122.) When he spoke of the authority as being "clothed with the power of Government," he meant the federal government, not that of the states. No other interpretation is possible.

proach which may be distinguished as two types of cooptation, Mr. Selznick says. One is the policy of channeling the agency program through the existing institutions of an area in such a way as to strengthen those institutions; this policy is often advertised as being for the purpose of fully utilizing local institutions and of "achieving a democratic partnership with the people's institutions." This is called *informal* cooptation; it occurs as "a realistic adjustment to those centers of institutional strength which are in a position to strike organized blows and thus reinforce concrete demands" and it tends to be informal because "the actual center of authority and decision may be shifted or made more inclusive, with or without any public recognition of the change." (p. 259) The other form of the grass-roots approach is the policy of encouraging citizen participation in the application of a general policy to varying local conditions. This is *formal* cooptation; it arises because the agency lacks a sense of belonging (of "historical legitimacy") or because it is unable to mobilize the community for action. For these reasons the agency needs to secure an aura of respectability from the coopted elements; to do this it need not actually share power with them, but the formal, public character of this kind of cooptation is necessary to the end in view.

It is with informal cooptation—the sharing of power by the TVA board with the land-grant colleges and, through them, with the American Farm Bureau—that the book is chiefly concerned. This, of course, was the area of decisive significance in the history of TVA. It was its association with these organizations (it would be more accurate to speak of them as grass-tops than grass-roots organizations) that prevented TVA from carrying out its mandate.

The importance of the other kind of cooptation (examples of formally coopted organizations are the fertilizer associations and the rural electrification cooperatives) lies not in its effect on policy, for here no power is shared, but rather in the claim that democratic values inhere in the practice of drawing the ordinary citizen into the process of administration. Mr. Selznick shows clearly enough that in the case of TVA this claim

rests on an ideological basis and he subjects it to analysis by making a distinction between "substantive participation" (which involves an actual role in the determination of policy) and "mere administrative involvement." "A critical analysis," he rightly points out, "cannot overlook that pattern which simply transforms an unorganized citizenry into a reliable instrument for the achievement of administrative goals, and calls it 'democracy.'" (p. 220) He notes that there is a tendency for participation to degenerate into simple involvement; this tendency exists because of the very nature of the administrative process—in practice it is necessary for the organization to maintain unity of command and therefore the local association or committee which has been coopted cannot really be given more than a nominal sphere of decision. In the final analysis, the local folks cannot do much more than provide "front" for the agency.

The implications of all this for democratic planning, Mr. Selznick concludes, are that ideologies must be seen in the context of the needs they serve (e.g. the grass-roots ideology arises from the need to gain power by sharing it and the need to secure respectability); it is necessary to place a proper valuation on the power of local institutions and people (to be forewarned of them is to be forearmed, but "it is naïve to suppose there is anything inherently bad in the situation wherein private organizations paralleling but independent of a governmental administrative structure have a decisive influence on its social policy"); and, finally, "the tendency of democratic participation to break down into administrative involvement requires continuous attention." (pp. 264-65)

## V

THE TVA is not the only agency to use the grass-roots approach. Indeed, "grass-roots" has become so popular an expression that it is applied in the most incongruous contexts—no one would be surprised if the Interstate Commerce Commission were to refer to railroad presidents as "grass-roots." But it is in the agencies dealing with agricultural and rural life that the grass-roots approach has been carried furthest. In 1939, for example, there were no fewer than 892,855 citizens involved in the administration of the agricultural programs.



Mr. Selznick mentions the County Land Use Planning Program as an example of formal cooptation; its purpose, he points out, was not merely to afford an opportunity for democratic participation in policy-making—it was also to serve an administrative need. This is true, of course, but a further significance can be attached to the land use planning committees. It was in 1936 and 1937, it will be remembered, that the farm organizations made it perfectly plain that they would not tolerate a farm program calling for basic adjustments. From late in 1933, the program planning division of the AAA, an organization of professional planners under Mr. Howard Tolley, had been engaged in designing a long-term plan for agriculture. This work was scrapped when it became apparent that the farm organizations would not permit any thoroughgoing plans to be put into effect. Now that it was useless to plan, the department set up a grass-roots planning organization; planning, which for the program planning division had meant finding a long-term solution to the farm problem, was now defined as "a dynamic process of synthesizing the views of a great number of people including farmers, specialists, administrators, and even agencies. It must always be a completely cooperative, democratic process."<sup>3</sup> The department, by making a big stir about grass-roots planning and by advertising the local committees as "a noble experiment in democracy,"<sup>4</sup> concealed the fact that it had yielded up to the farm organizations its power to do any planning whatever. In this case, as in that of TVA, the grass-roots approach was a "protective ideology."

The experience of the Soil Conservation Service with the grass-roots approach is also instructive. SCS is committed to work only through local soil conservation districts, which are legal subdivisions of the states and are officered by landowners (two members of a district's board of supervisors are appointed by the state soil conservation committee and three are elected by the farmers of the district).

<sup>3</sup> M. S. Eisenhower, "Who Should Be Responsible in the Development of an Agricultural Planning Program?", 52 *Proceedings of the Annual Convention of the Association of Land-Grant Colleges and Universities* 120 (1939).

<sup>4</sup> H. A. Wallace, quoted by H. R. Tolley in *The Farmer Citizen at War* (Macmillan, 1943), p. 175.

SCS publicity lays heavy stress on the independence of the districts from the federal government and on the fact that they provide a mechanism for democratic self-regulation. As a matter of fact, it is well known that the districts are in most matters the creatures of SCS (the district programs and reports, for example, are commonly prepared by SCS technicians and printed by the government although in the name of the farmer "supervisors"), but that where restraint rather than assistance is likely to be involved they are entirely unresponsive. The truth is that the members of these grass-roots districts do not choose to regulate themselves even though the public interest may require that they should. Nowhere in the United States—not even in what will soon again be called the Dust Bowl—are any land use regulations in effect. Devotion to the grass-roots approach has had the effect of keeping SCS altogether out of the many localities where the farmers have not chosen to organize districts; where districts are organized they have provided the farmers a weapon with which to fight any serious attempt that may be made at regulation.

Mr. Selznick points out that the grass-roots approach led TVA to oppose the entry of SCS into the valley and to take an unfriendly attitude toward FSA, the agency chiefly concerned with low-income farmers. It is of interest that the devotion of SCS to the grass-roots approach has had similar consequences: because of its commitment to channel all resources through the local districts, SCS has failed to live up to an agreement with FSA by which it was to make conservation plans for all tenant borrowers under the Bankhead-Jones Farm Tenant Act. The districts, it is necessary to add, are well enough organized to maintain a professional lobbyist in Washington.

When an agency shares its policy function with some private organization it expects to get something—usually legislative support—in return. This *quid pro quo* is provided almost in so many words in a memorandum between TVA and the Tennessee Extension Service which Mr. Selznick quotes. (p. 142) The memorandum refers to the "advice, assistance and cooperation" of the Tennessee Farm Bureau Federation and continues: "The Tennessee

Farm Bureau Federation shall interpret for the national organization of the American Farm Bureau Federation, and through it to the National Council of Farm Organizations the aims and objectives . . . of TVA. A striking parallel is to be found in the Research and Marketing Act of 1946, which provides for an advisory committee a majority of whose members are to be "representatives of producers or their organizations" and which is to "assist in obtaining the cooperation of producers, farm organizations, industry groups and Federal and State agencies. . . ." Here is an instance of an agency's power being traded to private groups at the behest of Congress itself.<sup>6</sup> It is, of course, not surprising to find the administrator of the act explaining that "these committees are designed to get the 'grass-roots' recommendations on the problems to be studied. . . ."

Not only has cooptation been formally institutionalized by Congress; there is strong pressure toward making it the ruling principle of agricultural administration. In 1940 the American Farm Bureau Federation proposed replacing the Secretary of Agriculture with a "non-partisan" board and channeling all action programs through the land-grant colleges; the Farm Bureau has since attempted to put its program into effect a bite at a time—first by dividing the FSA between the Farm Credit Administration and the Extension Service, then by turning SCS over to the colleges, and so on. The colleges have put forward a more modest but somewhat similar plan. "One of the most urgent needs of agriculture," according to a widely circulated report of the Association of Land-Grant Colleges, "is a means of assuring that the programs and policies

adopted actually are those which reflect the needs and wishes of local people. . . . What is required is a mechanism whereby farm people can state their needs."<sup>7</sup> The mechanism which the colleges recommend turns out to be a system of national and state policy committees to be composed of land-grant college officials and farm organization representatives who would share the department's policy-making function. Policy committee recommendations, the report suggests, should be subject to review and application by local county committees.

A good share of this Farm Bureau-Extension Service program for wholesale cooptation is to be found in the reports of the Hoover Commission and its task force on agricultural activities. According to these proposals, FHA (formerly FSA) would be put into an agricultural credit service; the Extension Service would administer the soil conservation program, and a system of state and county advisory councils would be created. Here again, as in all of the other instances noted, the grass-roots approach would have the effect of strengthening the organizations which are devoted to the larger, more prosperous farmers. The Hoover Commission and its task force, be it noted, said nothing of the affiliation of the Extension Service with the Farm Bureau. Indeed the chairman of the task force, Dean H. P. Rusk of the Illinois State College of Agriculture, was the only member of a recent committee of land-grant college and department representatives to dissent from the conclusion that this affiliation is not sound public administration.<sup>8</sup>

## VI

**I**F WE really want to make administration more democratic, we ought to regard the grass-roots approach with suspicion; we ought—as Mr. Selznick suggests—to see ideologies in the context of the needs they serve. Beyond

<sup>6</sup> Public Law 733, 79th Cong., 2d sess., sec. 301.

<sup>7</sup> That power actually is shared may be seen from the fact that more than 90 per cent of the 1948 appropriations under the act were allocated according to the committee's recommendations. *House Hearings on the Agriculture Department Appropriations Bill, 1949*, p. 526. For a further treatment of the administration of the act, see E. C. Banfield, "Planning under the Research and Marketing Act of 1946; A Study in the Sociology of Knowledge," 31 *Journal of Farm Economics* 48-75 (February 1949).

<sup>8</sup> *House Hearings on Agriculture Department Appropriations Bill, 1950*, Part 1, p. 161. The reference here is actually to the "commodity" committees, but the distinction is of no importance in this context.

<sup>9</sup> Association of Land-Grant Colleges and Universities, Committee on Postwar Agricultural Policy, *Postwar Agricultural Policy*, Oct. 25, 1944, p. 59.

<sup>10</sup> This is pointed out by Lauren Soth of the *Des Moines Register and Tribune* in his article, "Mr. Hoover's Department of Agriculture," 31 *Journal of Farm Economics* (May, 1949). Mr. Soth remarks that "if the Hoover Commission proposals are carried out the under-privileged in agriculture will be left by the wayside even more than they have been in the past."

this, on the positive side, we ought to make sure that our views are congruent with reality; we ought to see the social structure in which administration is carried on as it actually is, not as we wish it were.

If we look at the structure of American agriculture, we must see that grass-roots decisions are not likely to be democratic, i.e. to result from the participation of all concerned. To think of farmers as equal sons of toil is absurd. The class and caste differences which exist within most farming communities are very marked. In the South grass-roots democracy can only mean the exercise of the powers of government by the white planters;<sup>10</sup> elsewhere it must mean control by and for the prosperous farmers who have hired men to do their work while they go to committee meetings.<sup>11</sup> The plain fact is that if most farm communities are to have democratic administration they will have to import it from Washington.

Even if these inequalities did not exist the making of public policy could not properly be done by special interests. To leave it to the farmers to make national agricultural policy

is to ignore the fact that city people are no less vitally concerned and that only government can represent the interests of all. Indeed, "grass-roots planning" is a contradiction in terms, for planning can take place only from a perspective which includes the whole social organism. The Association of Land-Grant Colleges is quite wrong in assuming that what is needed is a mechanism for "assuring that the programs and policies . . . reflect the needs and wishes of local people"; on the contrary, what is needed is a mechanism to assert the interest of the whole people against the local interest and to coerce the local interest when necessary.

The way to get democratic administration is to begin by organizing a central government strong enough to eliminate those conditions which make much of our national life grossly undemocratic. In the case of agriculture, for example, we need a government strong enough to secure the movement of underemployed farm folks into more productive employment; this would do more than anything else to erase class and caste lines and make local democracy possible. But this is something that can be done only by a strong government; it cannot be done by local associations composed of the very people whose vested interest must be relinquished. As Mr. Paul Appleby has said, "Nothing can be decentralized properly which has not first been centralized."<sup>12</sup>

A stronger government will require stronger administrators, for if the dynamic of the situation in which they work is understood the infinite variables of personality become no less important.<sup>13</sup> In these days of expansion

<sup>10</sup> The experience of the land use planning committees is illustrative of what all grass-roots planning must be in the rural South. John D. Lewis has reported, "... in Lee County, Ala., 65 per cent of the farmers are Negroes, 72 per cent are tenants, 53 per cent of the tenants are sharecroppers. There are, of course, no Negroes on the county committee; there are no cropers; there are 'a few' tenants. Seventy-five per cent of the land leases are merely verbal agreements, usually for one year. The committee's report contains very little on tenancy problems and no recommendations concerning leases. . . ." "Democratic Planning in Agriculture", 35 *The American Political Science Review* 249 fn. (April, 1941).

<sup>11</sup> James West in *Plainville, USA* (Columbia University Press, 1945), p. 217, notes what many others have observed elsewhere: "A second criticism is that the main agency of reform, namely, the AAA office, does not reach very far down into the community. County agents are instructed to propagandize through outstanding local 'leaders', not through the 'poorer' or more 'backward' farmers who need instruction most, and whose children more than any other children need the fruits of such instruction. Those who instruct and direct county agents apparently do not know that poor and backward farmers also have 'leaders'. . . . As a result, the poorest farmers . . . do not cooperate with the AAA office at all. . . . Most lower-class men and women would feel uncomfortable in the presence of their 'betters' who attend AAA meetings and form Home Economics clubs."

<sup>12</sup> *Big Democracy* (Alfred A. Knopf, 1945), p. 104. Mr. Appleby also says (p. 38): "Government must be big enough and powerful enough to be definitely superior to any and all special-interest groups. By the same token, governmental power should be exercised only by government-minded persons, by persons sensitive to the public interest and to public opinion and publicly responsible for their official acts."

<sup>13</sup> On this point another recent book sheds light. The author, in this case Morton Grodzins, is quite as well aware as Mr. Selznick both of the difficulties and the need for generalization. Mr. Grodzins says this: "The objectives of large organizations may be shaped and, indeed, thwarted by subtle and diverse forces that operate within those organizations. Policy decisions are made by men, and men inevitably, if not consciously,

and growing complexity one of the most tormenting problems of the President is to find men of courage, dedication, and administrative capacity. But he cannot stop with finding them; he must struggle with Congress to see that they are equipped with adequate powers and he must give them steady and reliable encouragement; it is by his capacity in selection and his steadfastness in support that a President must more and more be judged these days.

We may conclude that the grass-roots approach serves a very useful purpose for those people who are content with things as they are and for bureaucrats who must come to terms with them. But this interpretation may possibly leave the impression that there is no way in which the ordinary citizen can participate in the decision-making process or even that his participation is not desirable. This is not at all the conclusion intended; the question is not whether there should be citizen participation, but what manner it should take.

The readiness of the liberals to identify the grass-roots approach with democracy on the march arises partly from their too-human wish to believe that the problems of today are as simple as were those of yesterday, but partly—and much more significantly—from their recognition that our society is fundamentally different from any that has gone before it, that

it is more and more coming to consist of anonymous individuals—a mass, and that the survival of democracy depends upon our finding ways of differentiating the mass into publics which are capable of exercising a stable and responsible control of government. The grass-roots approach is put forward as a technique for differentiating the mass and securing citizen participation but, as Mr. Selznick shows, it is really only a make-believe—a way of dealing with the mass rather than of transforming it into publics; indeed, the very expression "grass-roots" carries the image of undifferentiated mass.

The alternative to the grass-roots approach is not less participation by citizens; it is, on the contrary, more meaningful participation—participation not through kept committees or through organizations which themselves stand in the relation of manipulator to mass, but through the play of political pressure from a variety of publics upon a government which has power commensurate with its tasks. A public exists when people are confronted by an issue which causes them to engage in interaction and to form an opinion; this is a process which can take place only when the stakes are real and the outcome is uncertain. The public, then, cannot become an appendage of the agency or it ceases to be a public; neither can a local public exist if there is no possibility that local opinion will make a difference. The wider the issue, the wider must be the public that decides it; but to the extent that an issue is local, authority to deal with it must be decentralized so that local opinion may be brought to bear upon it. This is surely a most delicate and intricate operation in administration, but it is in this way that real and responsible publics will be brought into existence.

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filter program objectives through their own values, their own aggressions, their own struggles for status and prestige. Personal desires, interpersonal animosities, the self-conception of one's role and its importance, the expectations of others—all these factors affect an organization's objectives and the process of decision. This is as true for government as it is for other institutions." *Americans Betrayed* (University of Chicago Press, 1949), p. viii.

# Contemporary Topics

Compiled by Public Administration Clearing House

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## INTERNATIONAL

### *Nations Plan Comparative Study*

The problem of participation in international organizations and particularly in the United Nations and its specialized agencies is a pressing one for every foreign office and national capital in the world. One of the most comprehensive comparative research projects ever undertaken at the international level is directed to the question of how the member nations of these new international bodies organize at the national level for their participation in international administration. This study has the joint sponsorship of the International Institute of Administrative Sciences and of the United Nations Educational, Scientific, and Cultural Organization which is aiding the study financially. Twelve member nations of UNESCO have already agreed to participate and furnish memoranda concerning their practices and problems. UNESCO plans to publish a comparative commentary and report.

Walter Sharp of the College of the City of New York is the international rapporteur on this topic. The reports will be presented and discussed at the 1950 Congress of Administrative Sciences which will be held under the auspices of the Institute. The American rapporteur is John Meck of Dartmouth College, assisted by Louis Koenig of Bard College.

### *Administrative Organizations to Have Observer at ECOSOC*

Consultative status as nongovernmental organizations has been tentatively granted by the Economic and Social Council of the United Nations to the International Union of Local Authorities, the International Institute of Administrative Sciences, and the International Federation for Housing and Town Planning. All three organizations have designated

Charles S. Ascher to act as their representative in New York and to serve as standing consultant for the Economic and Social Council when problems affecting nongovernmental organizations are discussed. Mr. Ascher, now chairman of the Political Science Department of Brooklyn College, was recently assistant to the Director General of UNESCO in Paris and is a former president of this Society.

### *International Social Welfare Activities*

The Fifth International Conference of Social Work is to be held in Paris, 23-28 July 1950. This conference is an international forum for welfare, health, recreation, and related services. It operates through national committees in various countries. Its president is George Haynes of London. The international headquarters is located with the National Conference of Social Work at 82 North High Street, Columbus 15, Ohio, where Joe Hoffer is secretary general of the international organization as well as general secretary of the National Conference. Fred K. Hoehler, a member of the Council of ASPA, is chairman of the United States Committee and vice president of the International Conference. Fifty-six countries were represented at the fourth international conference, held in 1948 in Atlantic City at the time of the meeting of the National Conference of Social Work.

The United Nations Department of Social Affairs has recently issued a book on *International Exchange of Social Welfare Personnel*, published by the Columbia University Press.

### *Americans Participate in IIAS Round Tables*

Round tables participated in by delegates from fifteen countries were conducted by the International Institute of Administrative Sciences, 3-10 September 1949, in Lisbon, Portu-



gal. Among the topics discussed were central administration, international administration, education for public administration, and the problem of the "constitutional court." The Institute's Committee on Administrative Practices held a special round table series. Brief papers on United States experience had been prepared for the round tables by John D. Millett of Columbia University on central administration, by George A. Graham of Princeton University on education for public administration, and by Robert A. Horn of the University of Chicago on the constitutional court.

Among the Americans who were present at the Lisbon round tables were Donald C. Stone of ECA; Walter Sharp of the College of the City of New York, now at UNESCO, Paris; Alvin Roseman, U. S. representative to the United Nations Specialized Agencies, Geneva; Edward Litchfield, director, Civil Administration Division of OMGUS; Roberto de Jesus Toro, budget director of Puerto Rico; and William Hardy of ECA.

#### *IIAS Moves Headquarters*

The International Institute of Administrative Sciences is headquartered in Brussels, Belgium; M. Edmund Lesoir is its secretary general. The offices have recently been moved to a new address at 17 Place des Martyrs, Brussels. The president of the Institute is Dr. Oscar Leimgruber, Chancellor of the Swiss Confederation. Leonard D. White, University of Chicago, is honorary vice-president. Other American officers are Herbert Emmerich, the director of Public Administration Clearing House, who is a vice-president and member of the Executive Committee; and Donald C. Stone, director of administration at ECA in Washington, who is chairman of the Committee on Administrative Practices.

At the Lisbon meeting it was tentatively determined that the eighth International Congress of Administrative Sciences will be held at Florence, Italy, in May 1950. More recent advices indicate that the place of meeting may have to be changed.

The chairman of the American Section of the Institute is Rowland Egger of the University of Virginia, and the secretary is Herbert

Emmerich, 1313 East 60th Street, Chicago 37, Illinois.

The International Institute is of particular interest to members of the Society, which is a corporate member of the Institute. The American Section of the Institute is a standing committee of the American Society for Public Administration.

#### *United Nations Creates International Training Centre*

At the September meeting of the General Assembly, the Fifth Committee voted to approve the Secretary General's proposal for the establishment of an International Centre for Training in Public Administration. The proposal originated with the Brazilian delegation. Although the program adopted for 1950 is somewhat more modest than the sponsors originally had hoped, a start along practical lines is being made for seminars, fellowships, and scholarships and for exchange of technical information.

The International Training Centre program has been placed under the supervision of the Department of Economic Affairs as this is the department which is handling the United Nations program of technical assistance. It embraces a three-point program: 1. Seminars—two seminars in administrative problems, each for thirty officials of Member States for a period of three months, one at the intermediate and one at the advanced level. 2. Fellowships and Scholarships—(a) thirty fellowships for senior and intermediate civil servants, for three-month study visits in foreign administrations and institutes; (b) sixty one-year scholarships for junior civil servants, primarily for continued study at various national and international institutes and agencies. 3. Exchange of Information—a sum of \$10,000 was appropriated to enable the Secretary General to contract for documentation and exchange of technical information on administrative subjects in various languages, through the International Institute of Administrative Sciences.

#### *German Institute of Public Affairs Opens at Frankfurt*

Word has been received of the opening in Frankfurt of the Institute of Public Affairs

(Institut zur Förderung Öffentlicher Angelegenheiten E.V.) which will aid "in reorienting German public life outside and alongside the official organs of government," as well as assist American officials in the operation of the cultural exchange programs relating to public administration.

The Institute of Public Affairs was established by a group of nonprofit associations in the field of public administration and local government that are concerned with problems of general administration, law, finance, public safety, planning, public utilities, housing, public health, welfare, statistics, and personnel administration. These associations believe that by working together under one roof they can coordinate their activities in order better to serve the public interest. The Institute maintains a general reference library, arranges conferences, courses, and lectures, and publishes books and pamphlets. The director of the Institute is Dr. h. c. Heimrich, Mayor of Mannheim, and the address is Bockenheimer Anlage 45, Frankfurt a. M.

#### *U.S. Encourages Exchange of Information on Administrative Problems*

Progress has been reported in negotiations between American authorities in Germany and officials of the International Institute of Administrative Sciences to use the resources of the Institute in assisting the new German Institute of Public Affairs. The Organization for European Economic Cooperation (OEEC), which is financed by ECA funds, is also negotiating a contract with the International Institute for services on exchange of information and especially on administrative problems, to help further the European Recovery Program by aiding the improvement of national government administration in Marshall Plan countries.

The International Institute has appointed a supervisory committee to administer these new programs, under the chairmanship of Louis Camu of Brussels. Other members of the committee are Roger Gregoire, director of the civil service of France; Hartvig Nissen, director of the organization and methods division, Ministry of Finance of Norway; Georges Palthey, director of personnel of the United Nations; Alvin Roseman, U.S. representative

to United Nations Specialized Agencies in Geneva; John R. Simpson, director of the organization and methods division of the British Treasury; Walter Sharp, U. S. A., Social Sciences Section, UNESCO.

The committee has established an International Center of Information and Documentation at the Brussels headquarters and has appointed as administrator M. Pierre Seeldrayers, secretary general of the Belgian Ministry of Finance. M. Seeldrayers will also edit the *Revue Internationale des Sciences Administratives*.

#### *International Federation for Housing and Town Planning Moves Headquarters*

The International Federation for Housing and Town Planning has moved from 13 Suffolk Street, London, to Singel 453, Amsterdam, C., Netherlands. At some later date the office will move to its permanent headquarters in The Hague. The new Secretary-General is H. van der Weijde.

The next international congress of the Federation will be held 27 August to 2 September 1950 in Amsterdam.

#### *New Orleans Host to Inter-American Municipal Congress*

The first postwar congress of the Inter-American Congress of Municipalities and the first congress to be held in the United States will take place 1-5 May 1950 in New Orleans by invitation of Mayor deLesseps S. Morrison of that city. Representatives of municipalities and students of municipal affairs in the Americas are being invited to attend.

The problems to be discussed at the Congress include (1) relations between municipalities and higher government levels, especially with regard to finances; (2) the role of municipalities in public housing; (3) city planning; (4) suggested solutions for city traffic problems. The United States rapporteurs are expected to be Carl H. Chatters on finances, Herbert Emmerich on housing, Walter H. Blucher on planning, and Franklin M. Kreml on traffic.

The secretary-treasurer of the Inter-American Congress of Municipalities is Dr. Carlos M. Morán, legal adviser to the City of Havana, whose address is Comisión Panamericana de

Cooperación Intermunicipal, Obispo 351, Depto. 604, La Habana, Cuba.

#### *Municipal Officials Confer in Geneva*

A conference of the International Union of Local Authorities was held in Geneva, Switzerland, 12-17 September 1949. The problems considered were (1) the prevention of road accidents; (2) the municipalities and the housing problem; (3) district heating; and (4) food and drink contamination. A small delegation of United States mayors attended.

The headquarters of the International Union of Local Authorities is at The Hague. N. Arkema is secretary general and Mayor Oud of Rotterdam is international president. The United States organizations contributing to the work of the Union are the American Committee for the IULA at 1313 East 60th Street, Chicago, Illinois, and the United States Conference of Mayors in Washington, D. C.

### NATIONAL

#### *Many Hoover Commission Proposals Effected*

With a number of the major administrative reforms proposed by the Hoover Commission accomplished in 1949, and more undoubtedly coming up for action, the federal government began early in 1950 to push the more prosaic improvement of the management processes of government.

The Hoover Commission recommendations, with the support of the President, made an impressive record in 1949, achieving these major changes: the further unification of the Armed Forces, the reorganization of the Department of State, the establishment of the General Services Administration, and the renewal by the Congress of the President's authority to submit reorganization plans, although those plans, under the 1949 law, can be vetoed by either House (instead of both Houses) of Congress. Under this authority, the President submitted eight plans during 1949, and the Congress disapproved only one of them, with the result, among others, of fixing administrative responsibility on the chairmen of the Civil Service and Maritime Commissions. Everyone was wondering, as Congress convened in 1950, how many more major changes in the structure of the executive

branch the President would be able to make.

Reorganization moved ahead in 1949 partly because of the backing of the Citizens Committee for the Hoover Report. It was the first time that the general cause of administrative reform had had the support of a major pressure group. This backing, with its heavy emphasis on the need for economy and retrenchment, made many government officials—even those who liked the general recommendations of the Hoover Commission—a little nervous. But by and large the teamwork of the President and the ex-President had been surprisingly fruitful.

#### *Outlook for 1950 Management Improvement Program*

The work for 1950 is likely to be somewhat less dramatic. The President appointed in 1949 an Advisory Committee on Management Improvement to help him follow up on the departments' efforts to improve their management processes, and he ordered all agencies to report their efforts at self-improvement periodically to the Budget Bureau.

Among the many management improvement programs that lie ahead for 1950 are these: the joint project by which the General Accounting Office, the Treasury, and the Budget Bureau hope to improve the accounting and financial reporting system of the federal government; the effort to install a "performance budget" system and to work out the basis for the enactment by Congress of a single appropriation act, with an appropriation structure for several departments that is radically simplified; a follow-up on Title 10 of the new Personnel Classification Act, which requires periodic surveys of agency operations; the improvement of regional offices in a number of agencies, particularly the General Services Administration and the Federal Security Agency; and a continuation of work on the budgets of the Armed Forces under the direction of the new comptroller of the Department of Defense.

#### *Management Improvement in Departments and Bureaus*

The demand for management surveys has led to the increased use of management con-

sulting firms. The Treasury Department made use of such help in the Internal Revenue and Customs Bureaus and in the Coast Guard. The Internal Revenue work led to particularly significant experiments to find the best system for handling mass paper operations and to audit income tax returns.

#### *Federal Intern Programs Prove Successful*

The publication of the final report of the National Institute of Public Affairs at the end of 1949 called attention to the great change that has taken place in the attitude of federal government officials toward the recruitment and training of administrators. During the fourteen years of its existence, the National Institute, supported by foundation grants, brought nearly 500 college graduates to Washington for 9-month internships with federal agencies.

Partly as a result of the National Institute's successful experience, the U.S. Civil Service Commission is now running its first Junior Management Intern program with college graduates of 1949. Seventeen were selected for the first intern program in Washington. More than 20,000 have applied for the second of the Junior Management Assistant examination which is designed to fill positions both in Washington and in the field. An advisory committee from the executive agencies is helping the commission develop the recruitment process, including a personal interview for the JMA examination, and is helping place the recruits in Washington jobs where good training is available. At the same time the commission is continuing its 5-year program of internships for government workers who have been in the federal service for some time.

#### *Staff Development Plan Permits Varied Assignments*

A step toward breaking down the barriers between administrative specialties is the Civil Service Commission's recent announcement of a plan for staff development programs. A federal agency that obtains commission approval for a plan of staff development may then assign a budget official, for example, to a personnel job without clearance from the

commission. An employee may be given such an assignment for training purposes even if he does not meet the open competitive standards for the new job. The commission is also urging federal agencies to develop programs for training scientific and professional personnel in administration.

#### *Supervisors Trained By Constructive Tests*

Among the new programs for training supervisors, the Production and Marketing Administration of the Department of Agriculture has developed a comprehensive program which uses the supervisory aptitude tests developed by the Civil Service Commission. The PMA gives the examination to supervisors confidentially, in an effort to help them evaluate their own administrative weaknesses. Training sessions to help them improve all aspects of their work, from human relations to job simplification, are then provided.

#### *Defense Groups Probe Human Nature*

The great interest among researchers in the problem of human relations in public administration has led to a project to discover the results of such research that may be applied in military service, and to seek to put them into operation. This project is being worked out jointly by the Personnel Policy Board and the Research and Development Board in the Office of the Secretary of Defense.

#### *Mr. Civil Service Meet Mr. Foreign Service*

The Department of State has appointed a committee, headed by James H. Rowe, Jr., formerly Assistant Attorney General and a member of the Hoover Commission, to help the State Department decide how—or how much—to put into effect the Hoover Commission recommendations for the amalgamation of the foreign services and the departmental personnel of the State Department.

#### *Fiscal Coordination Reviewed by Senators*

One official study of a policy issue that has brought up a difficult administrative problem is the study of the Sub-Committee of the Joint Committee on the Economic Report (with Senator Douglas of Illinois in the chair) of national fiscal policy. A series of hearings dur-

ing the autumn of 1949 dealt with the problem of coordinating fiscal operations, especially between the Treasury Department and the Federal Reserve Board.

#### *Individual Rights and National Security*

Another problem raised earlier by the Hoover Commission has been given new attention by the Committee for Economic Development in its statement on *National Security and Our Individual Freedom*, dealing with the machinery in the President's Office, the Department of Defense, and the Congress for insuring national security without weakening personal liberties. Almost at the same time, the National Academy of Sciences and the National Research Council took steps to make clear their opposition to the investigation for loyalty and security of those scholars aided by government funds who are engaged in nonsecret work. When a rider to the Independent Offices Appropriations Act required the loyalty investigation of all Atomic Energy Commission fellows, the National Research Council proposed to stop administering the program for the AEC. After discussion with the AEC, however, the National Research Council agreed to go on with part of the program (postdoctoral fellowships for work requiring secret information) but refused to handle for the AEC applications for any new fellowships involving nonsecret work or any new "pre-doctoral" fellowships of any kind.

#### *Water Resources Study Is First of Series*

Several other studies, already announced or probable, promise significant administrative action in Washington. First, there is the creation of a temporary Water Resources Policy Commission by the President, of which the chairman is Morris L. Cooke. Next, there is the bill to establish a study commission on federal-state relations, in order to make recommendations concerning the division of tax resources and policies with respect to grants-in-aid. Finally, there is the probability of studies to carry further the work initiated by the Hoover Commission on overseas administration, on the federal field service, and perhaps on other subjects. In addition, the Post Office and the Interior, Agriculture, and Commerce

Departments, among others, are planning special studies of their various managerial problems.

#### STATE AND LOCAL

##### *Accounting Committee Reactivated*

The reactivation of the National Committee on Municipal Accounting as the National Committee on Governmental Accounting has been announced by the Municipal Finance Officers Association. The committee was first organized in 1934 and was made up of the chairmen of nine national organizations which appointed advisory committees on municipal accounting. The committee in its work stressed the development of principles and standards in municipal accounting as well as the development of standard classification and terminology in the field.

##### *State Chief Justices Establish Permanent Organization*

At a meeting in St. Louis 3-4 September 1949 the forty-eight state chief justices formed a permanent organization which is to be known as the Conference of Chief Justices. The Council of State Governments was designated as the secretariat of the conference. A report of the meeting in the December, 1949 issue of *State Government* noted that it "... epitomized the conviction of the justices that by pooling information on state judicial problems, impressive improvements could be effected in the organization and administration of justice on a nationwide basis. It further symbolized the intent of the judicial branch of state government to keep pace with the executive and legislative departments in scrutinizing and improving its processes and procedures."

##### *Fewer Pay Raises for City Employees Reported*

Salary increases for city employees are slowing up according to a recent survey of pay rates for twenty municipal positions in one hundred cities. The study, which was made jointly by the International City Managers' Association and the Civil Service Assembly, showed that during the first six months of 1949, 40 per cent of the reporting cities raised pay rates. In a similar period in 1948, 61 per



cent of the cities raised pay rates, while in 1947, 47 per cent raised pay.

#### *Three More Legislative Councils Established*

The action of Florida, South Carolina, and Texas in establishing legislative councils during the past year brings the total of such legislative research groups to twenty-three. The functions of the councils are to provide legislators with accurate information and comprehensive and impartial analyses of problems before the legislatures. States having such councils are: Arkansas, Alabama, Connecticut, Florida, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Oklahoma, Pennsylvania, South Carolina, Texas, Utah, Virginia, Washington, and Wisconsin.

#### *States' Education Costs Rise*

The states are carrying an increasing share of the cost of public education according to a recent study, *The Forty-Eight State School Systems*. The study, prepared by the Council of State Governments, shows that in the period 1937-38 to 1947-48 the states' share of total educational costs rose from 29.6 per cent to 39.8 per cent. During this decade the median expenditure per pupil more than doubled, rising from \$82.79 to \$178.71.

The sharp increase in teachers salaries was in large part responsible for the rise in educational cost. In the period from 1937-38 to 1947-48 the median of the average annual salaries of teachers in the forty-eight states, including principals and supervisors, rose from \$1,093 to \$2,440. More than 40 per cent of the 753,833 elementary and secondary school teachers in the United States do not have college degrees the report pointed out; 12 per cent have less than two years of college. More than 450,000 new and replacement school rooms will be needed in the next decade to take care of the postwar boom in babies, the study estimates.

#### *Study Recommends Streamlining Puerto Rican Government*

Additional executive power would be transferred to the Puerto Rican Governor under recommendations recently outlined by the is-

land's Commission for the Reorganization of the executive branch of the government. Of the many reorganization study groups set up by the states and territories in 1949, Puerto Rico's was the first to complete its work. Recommendations of the commission are similar in general principles to those of the Hoover Commission for the executive branch of the federal government. Regrouping operating functions of the Puerto Rican government would reduce the number of agencies reporting to the Governor from eighty-two to twenty-three.

#### *Federal Grants-in-Aid Double*

A report by a committee of the Council of State Governments shows federal grants-in-aid to state governments nearly doubled between 1946 and 1948. Grants increased from \$770.7 million to almost \$1.5 billion in the two-year period. Most of this total went for regular grants—public assistance, highways, health and welfare, employment security, and similar non-emergency purposes—with less than \$29 million appropriated for emergency purposes. Aid to the states averaged \$8.04 per capita in fiscal 1947 with public assistance taking 57 per cent of this amount. Grants for assistance include payments and administration of old-age assistance, aid to dependent children, and aid to the blind.

#### *State Tax Collections Increase Slightly*

State tax collections hit a record high in fiscal 1949, but the increase over 1948 collections was relatively small and reflects in part the tapering off of the postwar inflationary spiral. Total state tax take for the year was \$7.4 billion.

Income taxes showed the largest proportionate gain among all tax categories. Individual income taxes collected by thirty-one states totaled \$575 million, a jump of 15.1 per cent. Corporate income taxes were up 13.1 per cent to \$661 million. General sales and gasoline tax collections for the year amounted to \$1.6 and \$1.4 billion respectively.

#### *City Manager Adoptions Up*

Seventy cities adopted the council-manager plan of government in 1949, bringing the total

of towns, cities, and counties under the plan to 954. First devised by Staunton, Virginia, in 1908, the city-manager form of government has had unprecedented growth since the end of World War II. In the four years from 1945 to 1949, 307 cities, towns, and counties chose the council-manager plan of government, an average of more than seventy-five per year. Prior to 1940, the number of adoptions averaged fewer than sixteen per year.

#### GENERAL

##### *Jump Memorial Award Planned*

An annual award in memorial to the late William A. Jump, director of finance of the U. S. Agriculture Department, is being established. Any federal employee under 32 years of age who has demonstrated unusual ability in public administration will be eligible for the William A. Jump Memorial Award which will be made by an award board to be named annually by the Secretary of Agriculture. As announced, the purpose of the award is to "stimulate a continued and active interest by governmental employees and others in the qualities of leadership so well exemplified and encouraged by Mr. Jump. It would be a special recognition and encouragement for sustained growth, development, integrity, and interest in the field of public administration, and for notable contributions in the field to the efficiency and quality of public service."

Persons selected for the award will be given a gold key and a certificate. From time to time,

as funds permit, the award will also carry grants of funds for those winners who wish to obtain further education in public administration. Nominations for the award will be made by federal agencies, including the executive, judicial, and legislative branches of government.

##### *Books for Devastated Areas*

The Committee on Aid to Foreign Universities of the American Political Science Association is soliciting gifts from private libraries in the United States of seldom-used books, documents, and pamphlets to replenish the depleted resources of libraries in war-devastated Europe and Asia. Publications issued since 1933 are particularly needed, including research materials, periodicals (but not newspapers), books, photostats, charts, maps, microfilms, and the like. Gifts donated to the "place of greatest need" should be sent to the U. S. Book Exchange, Library of Congress Building, Washington 25, D.C. The exchange is sponsored by the American Council of Learned Societies and is prepared to allocate the publications where they are needed most. Gifts intended for "specific foreign addresses" and addressed to the intended foreign addressee will be forwarded free of charge by the International Exchange Service if sent prepaid care of the Smithsonian Institution, Washington 25, D.C. Further information can be obtained from Mr. D. G. Williams, chief, International Exchange Service, Smithsonian Institution.

# News of the Society

## ASPA Conference

March 10-12, 1950—Friday through Sunday

Statler Hotel, Washington, D. C.

### CHAPTER NEWS

#### *Regional Meetings*

A Southern Regional Meeting of the Society was held in Knoxville, Tennessee, November 12, following the annual conference of the Southern Political Science Association. The Society and the Association joined in a luncheon session at which Herbert Emmerich, director, Public Administration Clearing House, spoke on "Artificial Barriers and Natural Resources."

In the afternoon President Roscoe C. Martin presided at a session on resource administration. Lawrence L. Durisch, chief, Government Research Branch, Tennessee Valley Authority, gave a paper on "Recent Trends in Resource Administration in the South" which was followed by a panel discussion on the effects of these trends in selected resource fields. The following participated in the panel: P. O. Davis, director, Agricultural Extension Service of Alabama, Alabama Polytechnic Institute (agriculture and general land use); R. P. Farrell, technical secretary, Tennessee Stream Pollution Control Board, Department of Health, State of Tennessee (water resources); C. F. Flory, state forester, State of South Carolina (forestry); Thomas W. Morse, director of parks, State of North Carolina (recreation); and Garland Peyton, state geologist, State of Georgia (minerals). The discussion concluded with a talk by Ted Driscoll, assistant director, Council of State Governments, on "A Resources Administration Program for the States," and general comments by John P. Ferris, manager of reservoir

and community relations, Tennessee Valley Authority, and Walton Seymour, director, Program Staff, Office of the Secretary, Department of the Interior.

#### *Alabama*

At a meeting November 17 the chapter elected the following officers: *President*—Alex S. Pow, director of the University of Alabama Center in Montgomery; *Vice President*—John Graves, state comptroller; *Secretary*—York Willbern, University of Alabama.

#### *California—San Francisco Bay Area*

At a meeting November 3, at San Francisco State College, Harold L. Enarson, professor of political science at Stanford University, spoke on his recent experience as executive secretary to the President's Fact-Finding Board for the Steel Industry. He outlined how the board met the problems involved in setting up, staffing, and operating a new organization and discussed its fact-finding techniques.

#### *California—San Francisco Bay Area and University of California (Berkeley)*

A joint meeting was held January 6, on the Berkeley campus to hear Donald W. MacKinnon, professor of psychology and director of the Institute of Personality Assessment and Research, University of California, discuss research being done in the fields of personality assessment and group dynamics, with particular emphasis on its application to problems of personnel selection.

*California—University of California (Berkeley)*

An error was made in reporting the news of the two University of California Chapters in the Autumn issue of the *Review*. The new officers of the UCLA Chapter were reported as elected by the Berkeley Chapter. The Berkeley officers are: *President*—Joe Lubin; *Vice President*—Jack Misner; *Secretary-Treasurer*—Evelyn Hazen; *Assistant Treasurer*—John Hope.

Some 130 people met October 8 at the new home of Professor Samuel C. May, for a discussion of "Training for the Public Service." Speakers were James Fesler, visiting professor from the University of North Carolina; Boynton Kaiser, chief personnel officer, University of California; and Professor May. The speaker for the meeting November 8 was Paul Appleby, Dean of the Maxwell School of Citizenship and Public Affairs, who discussed the "Welfare State." On December 8 the chapter heard Charles B. Stauffacher, assistant director in charge of administrative management, U. S. Bureau of the Budget, on current federal budgetary problems.

*California—University of California (Los Angeles)*

Newly elected officers of the chapter are *President*—Herbert Motkin; *Vice President*—Wendell Maccoby; *Secretary-Treasurer*—Dorae Seymour; *Board Members*—Joyce Cunningham, Robert Schreiber.

*California—University of Southern California*

The Chapter is holding a series of meetings in 1949-50 planned to give students a "feel" for problems confronting the administrator in his relations with other groups. The first panel session considered the relation of the administrator to the politician and pressure groups and the second the role of unions in the public service. Representative members of various jurisdictions participate in the panels. At each meeting a committee reports on current vocational opportunities. Officers are: *President*—William J. Gore; *Vice President*—Robert Callahan; *Treasurer*—John Gilbert; *Editor*—Paul Wangness. R. Vance Presthus serves as faculty advisor.

*Colorado—Denver*

Chapter officers elected January 18 are: *President*—C. L. Edwards, regional director, U. S. Civil Service Commission; *Vice President*—Elton McQuery, administrative assistant to the Governor; and *Secretary-Treasurer*—Gayle Martin, graduate assistant, School of Public Administration. Wallace Vawter, regional director, U. S. Bureau of the Budget, and Albert H. Rosenthal, director, School of Public Administration, University of Denver, were added to the Advisory Council.

*District of Columbia*

On December 14, President Roscoe C. Martin spoke on training in administration in the various universities and outlined the plans for the expansion of such courses so that the training will meet current operating problems in government and industry. On January 11, the Chapter heard discussion of the changes in federal budgetary procedures by George H. Mahon, Representative from Texas and member of the House Appropriations Committee; Frederick Lawton, assistant director of the Bureau of the Budget; and Frank Weitzel, assistant to the Comptroller General.

*Georgia*

At a meeting November 16, William M. Lester, executive secretary of the Tax Revision Committee, spoke on the Georgia tax structure. Governor Herman Talmadge was guest speaker at a dinner meeting at Emory University December 14. He discussed the administration of the state government of Georgia.

*Illinois—Chicago*

At a dinner meeting January 12 Dr. Harold G. Moulton, president, Brookings Institution, Washington, D. C., discussed "Planning and Policy Making in Public Administration." Some 50 members and guests attended the meeting.

*Illinois—University of Chicago*

On January 10 Alderman Robert E. Merriam of Chicago spoke to the Chapter on "Politics and Administration in Chicago." He emphasized the difficulties of administration

in a metropolitan region with many overlapping governmental units and the political difficulties in simplification. At this meeting two officers were elected to fill vacancies as follows: *President*—Laurin L. Henry; *Vice President*—Charles B. Macklin. Doris Mersdorf continues as Secretary-Treasurer.

On January 19 the Chapter met with President Roscoe C. Martin at a luncheon at the Quadrangle Club. Mr. Martin spoke informally on "Trends in Public Administration," noting an increasing amount of interchange between scholars and practitioners in the field and pointing out the value of such communication for public policy and for research.

#### *Kentucky*

At a dinner meeting at the University of Kentucky, Lexington, October 19, Roy Owsley, consultant to the City of Louisville, described the duties of his position for which he is hired as an independent contractor with the same type of responsibilities and privileges as any other contractor.

At a dinner meeting November 22 at the University of Louisville, Dr. Kenneth P. Vinzel described the organization and functions of the newly formed Louisville Chamber of Commerce of which he is executive director.

The program for the meeting December 19 featured Martin D. Miller, management consultant with J. L. Jacobs and Co., who is doing some work for the State Revenue Department. His topic was "The Role of the Management Consultant in Government Administration." At this meeting the following officers were elected: *President*—Dr. A. Y. Lloyd, director, Legislative Research Commission; *First Vice President*—Fred J. Benckart, finance officer, City of Lexington.

#### *Maryland*

At the November dinner meeting some 60 persons heard a discussion of the recent survey of the municipal government of Baltimore by Walter F. Perkins, vice president of the Koppers Company and chairman of the Mayor's Advisory Committee responsible for the survey, and G. M. Morris of the Public Administration Service, Chicago. The major immediate objective of the survey was how to hold the 1950 tax rates to their present level

without impairing any essential municipal services and in some cases providing for improved service.

The dinner meeting December 7 was concerned with the administration of the Public Housing Act with 40 persons in attendance. Oliver C. Winston, executive director of the Housing Authority of Baltimore City, was moderator, and the discussion was led by H. Normon Milburn, director of personnel and administrative planning, Housing Authority of Baltimore City, and George O'Brien Bailey, deputy commissioner for low rent housing, Public Housing Administration, Washington, D. C.

At dinner January 26, 50 members heard President Roscoe C. Martin discuss some of the major problems and difficulties confronting public administrators today. He defined the central problem of government as the quest for responsibility. Because of increased specialization and lack of interchange between administrators in different departments or branches of government, there are many overlapping functions and many cases where it is extremely difficult to define and allocate responsibility. Communications is one of the central problems of public administration today. The ASPA by bringing together administrators from all departments and levels of government and students and teachers of public administration can make a significant contribution to its solution.

The Maryland Chapter held a theater party January 21 on which it cleared over \$100.

#### *Michigan—University of Michigan*

At a social seminar on November 19 Robert F. Steadman, comptroller, State Department of Administration, spoke on the fiscal activities of the department. Charles B. Stauffacher, assistant director, U. S. Bureau of the Budget, talked December 5 on the innovations being introduced in the federal budgetary system. President Roscoe C. Martin discussed "Uniformity and Diversity in Public Administration" at a meeting January 17.

The Chapter holds weekly coffee hours and has had several parties this year. It has financed its activities largely through \$150 cleared on a benefit movie.



### Minnesota

Some 55 members and guests met November 17 to hear a panel discussion on the work and results of the Hoover Commission. Carl Herbert, director, St. Paul Bureau of Municipal Research, reviewed the unpublicized efforts of the group of businessmen who drafted reorganization plans immediately prior to the establishment of the Hoover Commission; Lloyd M. Short, director, Public Administration Center, University of Minnesota, summarized and analyzed the accomplishments of the Hoover Commission; and William Anderson, chapter president, described from the vantage point of a member of the Hoover Commission's Committee on Federal-State Relations the work of the task force in that area.

The Chapter elected the following officers: *President*—N. J. Oganovic, regional director, U. S. Civil Service Commission; *Vice President*—Nathan Harris, research engineer, City Council, Minneapolis; *Secretary-Treasurer*—Myrtle Eklund, librarian, Public Administration Center, University of Minnesota; *Board of Directors*—G. W. C. Ross, professor, College of St. Thomas; Barbara Stuhler, organization secretary, League of Women Voters, to serve with the following two members elected February, 1949, Victor Christgau, director, Division of Employment and Security, State of Minnesota; Harry Fiterman, tax consultant, Minneapolis.

The Minnesota Chapter was a joint sponsor of a luncheon meeting November 30 at the meeting of the National Conference on Government of the National Municipal League in St. Paul, at which Roscoe C. Martin, President of the ASPA, was the principal speaker.

### New Jersey

Some 60 members and guests attended a meeting at the Nassau Tavern, Princeton, December 8, at which Luther Gulick spoke on "Problems of State Reorganization." Officers were elected as follows: *President*—General Otto L. Nelson, vice president, New York Life Insurance Company; *Vice President*—Professor Bennett Rich, Rutgers University; *Board Members*—Professor Marver Bernstein, Princeton University; Paul Stafford, secretary, New Jersey State Civil Service Commission. Com-

missioner Sanford Bates, New Jersey Department of Institutions and Agencies, outgoing president, automatically became a member of the board.

### New York—Capital District

The November dinner meeting of the Chapter was devoted to "The Hoover and New York State Coordination Commissions as Instruments for Analysis and Improvement of Public Administration." Speakers were John D. Millett, Department of Public Law and Government, Columbia University, and Carroll Gibney, director of research, Temporary State Commission on Coordination of State Activities.

The December meeting considered "The Role of the Departmental Counsel in Administration" with the following speakers: Mortimer Kassell, deputy commissioner and counsel, Department of Taxation and Finance; Harry Zankel, counsel, Division of Placement and Unemployment Insurance; Joseph Schechter, counsel, Civil Service Commission. Erwin Memelsdorf, principal examiner of methods and procedures, Division of Placement and Unemployment Insurance was moderator.

The January dinner meeting considered "Regional Districts: Their Determination and Function." Speakers and their topics were: William P. Leonard, legislative reference librarian, New York State Library, a map of various districts in the state; Edward M. Meacham, executive assistant, Department of Commerce, the determination of districts; Irving Vershoor, regional library service center, Watertown, New York, setting up a new district; Dr. James J. Quinlivan, assistant director, Division of Local Health Services, districts in the Department of Health; Francis L. Brown, deputy superintendent, districts in the Department of Public Works; and Donald O. Benedict, senior supervisor, rural education, State Education Department, local determination of local districts. The moderator was John J. Daniels, Jr., associate budget examiner, Division of the Budget. Attendance at Chapter meetings usually ranges from 60 to 70 persons.

*New York Metropolitan Area*

At a meeting December 7, 65 persons heard a discussion of "Federal, State and Local Relations in Public Welfare Administration." Panel participants were Jane Hoey, director, Bureau of Public Assistance, Federal Security Agency; Peter Kasius, deputy commissioner, New York State Department of Social Welfare; and Henry J. Rosner, director of finance and statistics, New York City Department of Welfare. The speakers sketched the framework and major problems in the field of federal and state grants-in-aid for public assistance. The liveliest discussion concerned a proposal to set tolerance standards to allow for some errors in local administration.

*Ohio—Cleveland*

At a luncheon meeting November 7, informal discussion centered around two issues to be placed before the electorate on the following day—the setting up of a commission to study the county charter question for Cuyahoga County (metropolitan Cleveland) and the proposal for adoption of the office type ballot in Ohio. Norton E. Long, Chapter President, and Guy Larcom, Jr., executive director of the Citizens' League, led the discussion.

*Utah*

At a regular monthly meeting held in the Union Building, University of Utah, November 17, the Chapter was addressed by Dr. George A. Boyce, superintendent of the newly established intermountain Indian school at Brigham City, Utah, who described the administrative problems in establishing the new installation and the social, psychological, and economic problems of the Navajo population. The following officers were elected for 1950: *President*—Henry R. Pearson, managing director of the Utah Foundation; *Vice President* C. A. Grant, executive secretary of the Utah Association of County Officials; *Council*—H. Byron Mock, ex officio (retiring chapter presi-

dent); Ernest Linford, editorial writer, Salt Lake Tribune; Gilbert White, U. S. Forest Service; Ellis Johnson, Utah State Department of Public Health; LeRay S. Howell, executive secretary, Utah Merit System Council; and G. Homer Durham, professor of political science, University of Utah. The Institute of Government of the University of Utah functions as the secretariat of the Chapter.

*Wisconsin—Madison*

At a dinner meeting at the Memorial Union, October 25, Earl Sachse discussed the program of the Wisconsin Legislative Council before a group of 45 persons. Professor William Young of the Governor's office spoke to the Chapter on December 8 on the present state of thinking on departmental organization in state government. Vivian B. Holland of the State Board of Health is secretary-treasurer of the Chapter.

*Wisconsin—Milwaukee*

Hubert R. Gallagher, associate director, Council of State Governments, formerly director of civil government division, American Mission for Aid to Greece, spoke on "Foreign Aid Administration" at the Chapter dinner meeting October 18.

The meeting of November 17 heard a panel discussion of "The Administrative Survey of Milwaukee's City Government" by Peter J. McCormick, acting municipal reference librarian; Norman Gill, director, Citizens' Governmental Research Bureau; and George Safran, city budget supervisor.

President Roscoe C. Martin met with the Chapter January 19.

*Puerto Rico—University of Puerto Rico*

Chapter officers elected for 1949-50 are: *President*—Eliás Rivera Cidraz; *Vice President*—Agustín Díaz Benabe; *Secretary-Treasurer*—Irma Serrano; *Directors*—Manuel Díaz Nieves and Edwin Ruiz Rivera.



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